Tax Increment Financing and Major League Venues

by

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DEDICATION

This dissertation is dedicated to my parents, John Sroka and Marie Sroka, as well as George, Lucy, and Ricky.

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ABSTRACT

This dissertation studies the use of tax increment financing in major league venue projects in North America. Although there is a vibrant literature on TIF, little has crossed over to the sports venue context, leaving a gap where some of the most expensive and potentially risky TIF projects anywhere are concerned. Likewise, while there is considerable literature questioning the merits of public subsidies for sports venues, there is insufficient work focusing squarely on TIF and sports venues. This relative absence of literature concerning sport venue TIF matters because providing subsidies through TIF may effectively obscure the public cost of sports facilities. This thesis shines a light on venue related TIF through contributions under three central headings: scope and inventory, theory development, and normative development.

In the past two decades, TIF has become a more frequent element in subsidizing venues and the real estate development surrounding these facilities. Specifically, over $1.8 billion in TIF has been spent on 22 major league venues across five major leagues, with well over a third of non-temporary major league venues where TIF was eligible to be used having a direct or strong TIF connection at the time of construction or substantial renovation. The TIF inventory also reveals direct TIF use concentrations in particular sub-federal jurisdictions. Likewise, less permissive TIF statutes often overlap with jurisdictions where direct TIF contributions were absent.

I argue that if legally and fiscally available, TIF can be an effective means for local growth coalitions to sell politicians on approving subsidies through mitigating public approval

and political risk associated with providing public dollars to sports venues. In particular, TIF's salability as self-financing, provides political cover to decision makers and reduces the risk of popular opposition. Likewise, TIF allows financial risks associated with venue subsidies to be better mitigated by marrying the revenue source to the good being funded, and allows local governments to use taxes that would otherwise go to overlaying taxing jurisdictions (such as schools). While the case studies in this dissertation indicate major risks with venue related TIF, if politicians wish to move ahead with such projects, citizens should insist on harm reduction measures. These include ensuring but-for, preventing predatory overlaying capture from school districts, avoiding reliance on sales TIF, shifting underperformance and legal risk from public to private partners by making sure that promises of real estate development are matched by enforceable contractual obligations, and ensuring multiple points of transparency.

CHAPTER 1. INTRODUCTION

1.1. CONTEXT, SIGNIFICANCE, AND PURPOSE

The focus of this dissertation is the use of tax increment financing (TIF) in North American major league stadium and arena projects. Despite a broadly skeptical academic literature, TIF has become a favorite legal and policy tool of local economic development in the United States. In more recent years, TIF has also become a common presence in conversations surrounding the construction, renovation, and ancillary development surrounding professional sports venues.

At the same time considerable work exists showing that sports venues do not positively impact economic growth in a city or region. As the literature questioning the returns on public subsidies of professional sports venues creates pause for government and political actors, TIF poses an opportunity to reframe the subsidy conversation in more favorable terms by venue proponents. Although there is a vibrant literature on TIF, little has crossed over to the sports venue context, leaving a glaring gap where some of the most expensive and potentially risky TIF projects anywhere are concerned. Likewise, while there is a lively literature on public subsidy of sports stadia and there are some publications making note of venue based TIF, there is limited work focusing squarely on TIF and sports venues. With this dissertation finding that over $1.6 billion of TIF (in 2020 dollars) has been used to directly subsidize 22 major league venues and that well over a third of non-temporary major league venues where TIF was eligible to be used

have a direct or strong TIF connection, the potential value of more deeply exploring venue TIF is underlined.

From a policy perspective, this relative absence of sport venue TIF literature matters because providing subsidies through TIF statute capacities may be an effective means of obscuring the true public cost of sports facilities. Likewise, TIF may be a way for actors desiring a stadium or arena to obtain a public subsidy that may attract less scrutiny or resistance than other revenue sources. Conversely, TIF – as a subsidy frequently tied to the creation of assessed real estate value – might be central to the seemingly growing phenomena of team driven real estate development surrounding arenas and stadiums, which can also bring the potential to transform blighted areas of inner cities or anchor new suburban centers.

More squarely for the academic literature, the void of sport venue TIF literature matters because if venue TIF use is indeed a more frequently occurring or financially significant phenomena, we want to know why. Likewise, we may be interested if TIF can be a better way to use or reform law to frame a policy of venue subsidy? First however, we have to establish the nature and scope of venue TIF use. Accordingly, this dissertation intends to shine a light on venue related TIF through several primary contributions to the literature under three main headings: scope and inventory, theory development, and normative development. Beyond a public notice and identification function which may serve cities and their citizens as a referential resource in contemplating the merits of TIF in a stadia related project, I intend to help begin closing the identified academic research gaps while setting a baseline for work on associative relationships and the normative value of venue TIF.

From literature and document review, data collection, and case studies, this dissertation leads to a working theory of TIF use in the venue context. An initial theory and literature review

chapter is followed by a complete accounting of TIF in major league stadium, arena, renovation, redevelopment, and ancillary real estate development projects in the United States and Canada. Subsequently, I undertake a comparative mechanical analysis of TIF statutes in American jurisdictions where major league professional sports are present, or the capacity to host major league sports exists. Then there are four case studies, which are intended to be particularly instructive of a certain venue related TIF experience (or set of experiences) that will better contextualize the work for the larger non-academic audience. These case study chapters address instances of venue TIF use in Dallas, Louisville, and Detroit. Finally, I conclude with a revisiting of research questions and results, the aforementioned working theory for venue TIF, and policy recommendations.

Although this work takes the broad outline of a traditional dissertation, it also shares much in common with dissertations consisting of a series of thematically linked papers. To this end, the majority of chapters are intended to be able to stand alone as a piece of literature. Accordingly, most chapters have methods within the particular chapter as opposed to there being a distinct research design or methods chapter.

1.1.2. Introducing TIF

At its core, TIF involves the designation of a geographic district, ranging anywhere from a single parcel to many square miles, and the setting of a revenue baseline. Revenues within the district above the baseline amount are allocated to projects within the same district for a statutorily defined period, while pre-existing revenues flow as they did before. After the TIF district reaches its sunset, incremental revenues will return to the general fund or wherever they

would have gone absent the TIF designation. The most common source of revenue for TIF is property taxes, but some states allow the use of other sources, most notably sales taxes

Depending on the enabling statutory framework, TIF districts can be created on petition from a developer or by local government initiative and may be used to fund public or private projects. In almost all states municipalities may establish TIF zones. Many states also have provisions for counties to create their own TIF districts or participate in municipally created districts.

From its 50s-era roots in California, TIF laws have become an exceedingly popular vehicle of subsidy among local governments in the United States, with some variety of TIF having been used by 49 states and a further three Canadian provinces. Estimates place the number of unique TIF districts in the thousands (Briffault, 2010), but there has been no firm national level inventory. Although initially associated with redevelopment efforts in blighted inner city locales, TIF has expanded beyond these urban roots into many greenfield sites in suburban and exurban locales (2010).

Common TIF funded projects include those related to site preparation (such as parcel acquisition, demolition, remediation), local infrastructure (roads, sidewalks, parking garages, streetscaping, lighting, utilities), and professional costs (planning, engineering, architecture, legal). Where permissible by statute, TIF can be more aggressively applied to local government building projects, direct subsidy of developers, as well as major capital infrastructure projects and partnerships. Yet not all TIF statutes are the same – ultimately the legal frames and specifics determine what can be done and how, making law central to the TIF story however it is examined.

1.1.3. Public Finance of Sports Venues

Long (2013) has documented the significant extent to which major league sports venues in North America have both capital and operating costs heavily subsidized by public partners. Although stadium and arena deals may be frequently accompanied by promises of economic gains, a wide range of academic work exists showing that sports venues do not positively impact economic growth in a city or region (see Baade, 1996; Coates and Humphreys, 2008; Humphreys, 2019; Quirk and Fort, 1997; Siegfried and Zimbalist, 2000). Still, the venue, its resident sports team, and a surrounding entertainment district can be seen as a way to compete for talent with alternative locales. This Tiebout (1956) competition is on two levels: between regions for the monopoly scarce opportunity to host a franchise, and within a region to direct activity to a particular area.

Others argue that despite not positively impacting regional economic growth, professional sports can beneficially reallocate activity within a region (Austrian and Rosentraub, 2002; Rosentraub, 2009; 2014; Rosentraub and Swindell, 2009), a notion supported by the neighborhood effects cited by Matheson (2019). Likewise, access to the major leagues may impact firm or talent location decisions (Delaney and Eckstein, 2006). However, while the presence of a new venue may alter the composition of local services and property values (Humphreys and Zhou, 2015), there is mixed evidence on relationships between land values and venue location, with some showing positive localized returns (Ahlfeldt and Maennig, 2010; Dehring et al., 2007; Feng and Humphreys, 2012; Propheter, 2019; Tu, 2005) and others finding stronger appreciation in a neighborhood after the departure of a sports team (Humphreys and Nowak, 2017).

But how do stadium subsidy deals get done? Building off of urban regime theory, so-called “local growth coalitions” of politicians aligned with major local companies and media

outlets, have been viewed as influencing public subsidies (Delaney and Eckstein, 2006; 2007). Beyond making arguments of economic growth and redevelopment, local growth coalitions spend significantly on ballot measures, and frame the alternative of not reaching a deal as losing the team. Politicians can also succumb to the pressure of not wanting to be remembered for losing a local institution or national status symbol (Euchner, 1994; Zimbalist, 1998, p. 23). Indeed, Delaney and Eckstein (2007) found that local growth coalitions have more success in former industrial cities that have seen structural economic challenges. Conversely, cities without teams may wish to offer generous subsidies to gain or reclaim "big league" status. The proliferation of these growth coalitions play a significant role in forming a theoretical base for this work.

1.2. RESEARCH QUESTIONS

This inquiry at the intersection of TIF and public finance of major league sports venues poses two primary research issues. First, is why TIF has become a more frequent and financially substantial form of subsidy for major league sports venues? From this initial question, a second question arises of whether should TIF be used to subsidize major league venues? These primary questions are intended to be addressed through the general theory development exercise, which will be informed by the results of the substantive chapters and case studies. The primary questions are ordered as they are because this work needs to initially document and understand the phenomena, the process of which is crucial to subsequently informing the second normative based question.

Secondary research questions, which will be primarily addressed by a particular substantive or case study chapter, include:

1. To what extent has TIF been used to subsidize major league sports venues?

2. To what extent has TIF been used to facilitate real estate development ancillary to major league venues?

3. What are the prospective risks and benefits of using property tax versus sales tax based TIF in a venue context?

4. Is there a relationship between TIF statute permissiveness and venue TIF outcomes?

5. Does the presence of a major league sports venue make a TIF district more successful in terms of construction and neighborhood desirability outcomes relative to similar TIF districts absent such an anchor?

6. When a major league venue uses a TIF subsidy, is but-for present, and how is but-for determined?

These secondary questions are intended to help build theory explaining why TIF is used as well as lead into a discussion whether TIF should be used to subsidize major league venues? The concluding discussion will also provide normative policy recommendations addressing under what circumstances TIF can potentially be viewed as a positive inclusion for a venue project.

1.3. RESEARCH DESIGN AND CHAPTER OVERVIEW

Methods Overview

This dissertation uses a mix of qualitative and quantitative methods, depending on the context of each chapter. While much of the dissertation will rely upon document review and synthesis, as well as the single case study method, cases themselves use a range of lenses to address the relevant issues. These lenses and issues are further detailed in the case study

overviews below. Likewise, the mix of methods extends beyond the case study chapters. This mix should not be thought of as a traditional mixed methods project in that different chapters use different methods as appropriate for the objectives of that chapter as opposed to the same mix of methods being used across all chapters. Both the multidisciplinary nature of TIF, as well as the diverse objectives of this dissertation to inventory, further investigate particular elements, and then build normative capacity on the subject of venue TIF, make a range of methods an appropriate and necessary toolkit.

Chapter 2. Literature and Theory Review

This chapter undertakes an expansive review of literature and theory relevant to TIF and subsidization of sports venues. Beginning at a high level with the public investment decision, I then discuss the public choice critique of government spending decisions. This is followed by an overview of the infrastructure investment decision, covering the perspectives of economic growth, deficit spending, transfer payments, pork, and local government competition. Next, public-private partnerships and traditional procurement processes are reviewed, with a focus on the concepts of resource pooling and optimism bias.

Following this, the chapter moves to non-TIF local government financial assistance in general. The instruments covered in this sub-section include abatements, land transfers, tax credits, grants, subsidized loans, and enterprise zones. After addressing the issue of whether non-TIF financial subsidies work, three headings of motivations for the provision of such incentives are delved into: interjurisdictional competition, fiscal stress, and political culture.

I then expand upon the basics of TIF and theoretical explanations for TIF use, prior to comparing TIF to other forms of local government financial assistance, and discussing reasons

why state governments and overlaying taxing jurisdictions would allow TIF use. I also discuss and analyze the broad TIF literature, dividing this discussion into headings concerning property valuation, economic development, fiscal outcomes, jurisdictional outcomes, legal, as well as use and mix type.

The TIF review is then complemented by a similarly deep discussion of government subsidies for professional sports venues. Starting with how venues are subsidized, I move to reasons for explaining these subsidies and the literature evaluating these motivations, including economic development, local area development, inter and intra-regional competition, political public choice and growth coalitions, as well as intangible value.

Chapter 3. Surveying and Accounting for TIF Use in Major League Venues

For each non-temporary 2018 venue in the five major leagues, data is collected on TIF contributions to direct capital costs as well as to projects using TIF related to ancillary development. Other variables are collected with the intent to facilitate understanding of the presence or absence of TIF more broadly. These variables include gross and percentage public contributions to total costs, location within an urban area, ancillary development intent, the presence of master-planned urban development, legal jurisdiction, the use of debt or reimbursement, the use of property or sales tax increment, the date of construction or substantial renovation, and the use of TIF in renovations or redevelopment of former venue sites.

Primary findings include that of 125 non-temporary major league venues in 2018, 107 were located in TIF eligible jurisdictions. 22 of these 107 have seen TIF contributions to direct capital costs, while another 17 have TIF uses deemed as having a strong relation to the facility. The 39 strong TIF connection venues represent 31% of stadiums and arenas in the five major

North American leagues and 36% of facilities where TIF could have been used at the time of construction. Direct TIF funding is most frequently seen in arenas and MLS stadiums. In 2017 dollars, $1.817 billion of TIF has been spent directly on venues, with a per venue average of $82.6 million. Where TIF was directly used, it accounted for an average of 24.4% of total capital costs and 60.3% of public capital costs.

Chapter 4. Surveying TIF Statutes in a Major League Context

Again, as TIF is a financial and policy instrument exclusively operationalized through state and local taxes and does not exist at the federal level, state TIF statutes govern the parameters and jurisdiction of TIF in the United States. This chapter primarily evaluates 10 categories of TIF statute elements in the states where the five major professional sports leagues operate clubs. The data set also includes some states where there are not currently major professional sports teams resident, but these states are deemed to have the potential to host a major league team. The categories of TIF statute characteristics are: taxation sources that can be captured, permissible accompanying purposes, approval sources, forms of financing, requirements for a TIF district, type of TIF district available, permissible uses of TIF for public improvements, permissible uses of TIF for private improvements, permissible land uses, and TIF district lifespans. Data is compiled for 42 variables for all jurisdictions in the data set from a direct review of state TIF statutes complemented by secondary sources.

This chapter finds that a lowest common denominator TIF statute (where 25 or more jurisdictions agree) will allow for municipalities and counties to create TIF districts and select projects to allocate increment that are both site specific and area wide. Eminent domain and special assessment overlay, as well as revenue bonds and pay-as-you-go, will be permitted.

However, TIF will be limited to property taxes, and TIF funds can exclusively be used on public improvements, specifically infrastructure, beautification, parking structures, land acquisition, soft costs, and site preparation. Finally, the strong consensus statute requires a public hearing, and allows TIF to be used mixed-use, residential, and commercial zones. Just as importantly, most jurisdictions studied do not permit sales TIF or the funding of strictly private improvements. The absence of allowable TIF contribution to private improvements also provides another incentive for public venue ownership.

Case Studies

Beyond inferences or observations that can be made from the broader data set, I intend to include case studies that are particularly instructive of a venue related TIF experience or aspect that will better contextualize the work for the larger non-academic audience. There will again be four case study chapters, drawing upon issues, lenses, and methods from law, urban planning, and public policy. In addition to particular venue TIF experiences or impacts, cases were selected for depth, consistency, and availability of data.

Specifically, Dallas was a starting point for case study research for multiple reasons: there was over 15 years of experience from which to evaluate the project, the local economic development agency and city kept detailed, consistent, and easily accessible data, the original arena deal process touches upon several theoretical trends in the literature, and there is a suite of similarly downtown core proximate TIF districts to compare outcomes with.

Louisville was selected for its significance to work on sales TIF and the deep range of sources to draw upon. The KFC Yum! Center is one of the largest uses of sales TIF in any project (venue or not), and also represents a prime opportunity to link my work to other

interdisciplinary conversations on megaproject underperformance. Similarly, Detroit was the final case selection for its status as the largest venue TIF project in history, the scale of its initial ambition as an agent of urban transformation, the deal making process' relation to the literature, its ability to demonstrate the impacts of overlaying capture, as well as the presence of a pioneering community benefits aspect in a venue TIF project.

Other promising cases were not selected for two primary reasons: there is significant existing work on them (even if that work does not center upon TIF), and jurisdictional diversity. For instance, San Diego's Petco Park is already extensively covered in several academic articles and book chapters, even if TIF is not the core element of these works. Likewise, Edmonton's Rogers Place is the subject of an entire recently published book. With the jurisdictional diversity, the several sport TIF clusters in Frisco, Texas presents venue TIF as a compelling suburban development strategy, but this dissertation already has two case studies based in the same Dallas metro area.

Chapter 5. But-for and Capture in Dallas

This chapter broadly evaluates the use of TIF in the Dallas Sports Arena TIF District (SATD) that was originally created to reimburse public improvements surrounding the American Airlines Center, as well as the Victory Park development that has been constructed within the SATD since the arena's 2001 opening. Specifically, the SATD is examined in terms of two common TIF criticisms that the literature (and particularly the law based literature) has identified as especially valid: that many TIF projects lack a legitimate but-for element and that sub-optimal transparency allows projects to escape sufficient scrutiny. After an overview of Texas TIF and local TIF policy in Dallas, the SATD story is set out prior to an analysis of outcomes through

these two critical lenses. The but-for component includes elements of analyzing what would have happened in the SATD absent the potential for TIF subsidy.

Dallas has seen TIF subsidize an initial arena framework that likely would have proceeded in much the same way absent the TIF subsidy – driven by market conditions. However TIF has been useful in filling gaps in the deal and correcting mistakes. Without a flexible earmarked source like TIF to correct the initial developer's mistakes, the Dallas arena may well not have not emerged as well from stagnation during the Great Recession and reached its current construction value. At the same time, the presence of arena parking requirements has severely limited development potential. The problems of but-for in the Dallas arena project also bring forth issues of TIF transparency. In particular, the local economic development agency can be viewed as having been captured by arena proponents, leading to a decision tree where the available options to the City were limited to making the best of a flawed initial structure created by the same proponents in the first place.

Chapter 6. Does the Arena Matter?

Building upon the work in Chapter 5, this chapter examines the use of TIF in the broader context of Dallas downtown redevelopment. With 20 active or retired TIF districts including the SATD, Dallas has made TIF a central element of its competitive strategy for talent and firms within its region. The range of similarly core proximate Dallas TIF districts without a sports venue anchor, provides a strong opportunity to relatively situate the use of TIF in a sports venue context, with the core research issue being: does the arena anchor make a substantial difference in development outcomes? For this chapter, development outcomes are conceived in two broad ways: financial value and urbanist revitalization.

Although there have been more successful TIF districts in the terms conceived by this chapter, the SATD has eventually delivered major gains in construction value and density, albeit at a far higher subsidy cost than the other TIF districts discussed. Dallas illuminates that interest from developers with financially feasible mixed-use urbanist vision is more indicative of positive outcomes than the presence of an expensive amenity anchor. Still, the SATD has eventually provided infill far superior to that found in districts where developer interest was lagging or absent.

Chapter 7. Sales TIF and Megaproject Underperformance in Louisville

This chapter connects the literatures on megaproject underperformance to the venue and TIF conversations through a project that stands out as one of the worst examples of financial and revenue underperformance of a major North American sports venue in decades. In the case of the KFC Yum! Center, the original project revenue structure has completely failed to cover the arena debt. As a result, the authority responsible for the arena's construction and operation, was left headed towards default before a substantial state bailout occurred in 2017. This financial failure has centered on two element: sales TIF and the arena lease. The core of the chapter then evaluates the Louisville experience through works representative of the primary explanatory lenses in the megaproject underperformance literature. In particular, the Louisville case exemplifies how rent-seeking by a local growth coalition, when paired by optimism bias, strategic misrepresentation, and a volatile revenue source like sales TIF, can lead to disaster in the context of a venue finance structure.

Chapter 8. Four Issues of TIF in Detroit

The final case evaluates the use of TIF in Detroit's Little Caesars Arena. This project represents the largest TIF expenditure in a sports venue to date. Some $324 million in TIF subsidies were provided to the arena, with a further $74 million available if certain construction targets are met. While the arena and its subsidies were sold alongside promises that the accompanying District Detroit would quickly transform 50 blocks of the city, real estate development has thus far failed to meet the promised vision. Criticism has in many respects thematically overlapped with critiques found in the TIF literature. In particular four aspects are illuminated: but-for, transparency, overlaying capture, and community benefits. Although the first two criticisms are also covered in the first Dallas case study, this chapter addresses both from different perspectives.

There are several key findings in Detroit. First, is that public partners in venue TIF deals can only rely upon enforceable contractual obligations. Second, where a TIF deal is reliant on state level support, state politicians need to undertake due diligence and resist quick deals pushed by growth coalitions that may expose the state and local jurisdictions to poor outcomes in the longer term, especially where contracts insufficiently guarantee performance. Third, public partners should be wary of TIF deals that rely upon capturing increment that would otherwise be created and flow to schools. Fourth, as in Dallas, while an arena can perhaps deliver some development benefit, public parties need to consider the opportunity cost of alternative projects that could be achieved either with fewer subsidies, or in the absence of subsidies and crowding out in the first place.

Chapter 9. Results, Theory, and Policy

After revisiting the secondary research questions, results, and key findings, this concluding chapter addresses the two primary research issues through a theory development exercise. Subsequently, I provide policy recommendations for conditions under which the risks present in venue TIF may be mitigated. Finally, I review primary limitations and briefly discuss particularly interesting avenues for future research.

As noted, roughly $1.8 billion in TIF has been directly spent on 22 major league venues, with strong TIF connections to a venue being identified in 8/30 MLB stadiums, 6/18 MLS stadiums, 10/29 NBA arenas, 14/31 NHL arenas, and 7/29 NFL stadiums studied. TIF bond issues have been more common than reimbursement and property taxes much more frequent than sales TIF. TIF has also become more common in venue finance since 2000. The TIF venue inventory also reveals direct TIF use concentrations in particular sub-federal jurisdictions.

From these findings, this chapter argues that if legally and financially available, TIF can be an effective means for local growth coalitions to sell politicians on approving subsidies through mitigating public approval and political risk associated with providing public dollars to sports venues. In particular, TIF's salability as self-financing (whether true or not) and the difficulty in comprehending TIF, provides political cover to decision making politicians and reduces the risk of popular opposition. Likewise, TIF allows financial risks associated with venue subsidies to be better mitigated through tying the revenue source to the good being funded, and allows local governments to use money that would otherwise flow to overlaying taxing jurisdictions (such as schools). For senior sub-federal governments, keeping local revenues (which may or may not be created) local, can be more attractive than a direct grant or allocating statewide revenue sources.

While the case studies indicate substantial risks accompanying TIF use in the venue context, if politicians wish to move ahead with such projects, citizens should insist on a range of harm reduction measures. These include ensuring measures consistent with attaining true but-for, preventing predatory overlaying capture, avoiding structural reliance on sales TIF, shifting underperformance and legal risk from public to private partners by making sure that promises of real estate development are matched by enforceable contractual obligations, and ensuring transparency at multiple points of sub-federal government touching TIF.

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CHAPTER 2. LITERATURE AND THEORY REVIEW

2.1 INTRODUCTION

This sprawling chapter addresses the many literatures relevant to understanding TIF and sports venues, with the intent of setting a literature and theory baseline from which this dissertation's substantive chapters can address the identified research gaps. The review touches upon works and lenses from public policy and finance, law, urban planning, economics, and sport management. As will be evidenced throughout this dissertation, each of these categories is directly relevant to understanding the multifaceted phenomena of venue TIF more generally, as well as the empirical and normative questions specifically raised in this dissertation.

Starting from a high level rationale for public investment and finance, this chapter eventually delves down to the two core areas of sports venues and TIF. The process first leads through explorations of why governments invest in infrastructure, specifically the concepts of economic growth, Keynesian deficit spending, pork, and local government competition. From rationale, the discussion leads to two primary means for framing infrastructure projects: public-private partnerships and traditional procurement. This is likewise followed by two key conceptual elements of infrastructure projects: resource pooling for public-private partnerships, and optimism bias. As noted, infrastructure is both a primary purpose of TIF and category into which sports venues can be more clearly classified.

Next, since TIF is a primary legal means of local government financial assistance, the review situates competing forms of subsidy as well as the issue of whether these subsidies are effective. Subsequently, I overview three primary motivations for the provision of such incentives: competition between jurisdictions, fiscal stress, and political culture. This section also sets up later review of sports venues as recipients of such subsidies.

Building upon this literature base, the chapter then moves to theoretical explanations of TIF. This is followed by contextualizing TIF relative to other prospective forms of local economic development subsidy, in addition to the reasoning underpinning why states and other non-initiating jurisdictions would permit TIF use in the first place. From here I undertake a deep review of the TIF literature under six headings: property valuation, economic development, fiscal outcomes, jurisdictional outcomes, legal, and land use mix type. While other works have summarized literature on the first three headings, I aim to build upon this and add three further headings. The legal category is a particularly important contribution given the reality of the existing literature inadequately accounting for how TIF outcomes are at their core shaped by particular policy choices operationalized through law – many of these works focus on a certain state legal framework, or comparison of frameworks.

The TIF overview leads into a complementary core sub-section concerning subsidies for professional sports venues. Specifically, I discuss literature concerning forms and value of public venue subsidy before addressing the rationale for such subsidies. The primary explanatory lenses for sport venue subsidy examined in this chapter are: economic development, local area development, jurisdictional competition, politics and growth coalitions, and intangible value. In addition to setting the stage for subsequent inventory and case study chapters, the TIF and sports

venue reviews also provide a base for the working theory of TIF use in sport venues offered in Chapter 9.

2.2 WHY PUBLIC FINANCE?

This chapter begins with a brief and basic discussion of the public investment decision. First, I review the rationale for state intervention in the economy and efficient resource allocation, followed by the normative pursuit of equality through intervention, taxation, and which level of government should finance a state action.

2.2.1 Allocation Efficiency and Failures

Broadly the rationale for state intervention or the absence of such an intervention can be ascribed to either the social contract or limited-interventionist approach (Szymanski, 2017). Stemming from Rousseau (1762), the social contract outlines in return for the power to legislate and be governed by law, people accept to be bound by law. Alternatively, the concept of limited intervention (or laissez-faire), shares much with Mill's utility concept that individuals should be free to pursue their own happiness to the extent that they do not harm others (the harm principle) (Mill, 1966). The classical utilitarianism of Bentham, in particular the notion that the state should aim to provide the greatest happiness for the greatest number (Burns, 2005), does something to meld Rousseau's social contract and Mill – namely that individuals should accept state sovereignty to legislate for the greatest happiness for the greatest number, in return for the protection of law and the ability to pursue individual utility subject to the harm principle.

Drawing upon classical utilitarianism and the social contract, the scope for state intervention then may be set where the collective outcomes of individuals pursuing their own

utility fail to perform a function that maximizes happiness for the greatest number. What defines such a situation, however? The best available answer from economists is the concept of allocative (or Pareto) efficiency, meaning that resources have been optimally allocated insofar as a benefit cannot be allocated to one party without making another worse off (Szymanski, 2017).

Efficiency in this context can be defined as perfectly competitive (many actors, complete information, free participation or non participation in the market) and reaching equilibrium (actors have no preference for an alternative choice) (2017). To reach this efficiency, actors will aim to maximize utility through Smith's (1776) invisible hand of supply and demand. However there are barriers to achieving Pareto efficiency. Five key market failures are externalities, information asymmetry, public goods, scale economies, and transaction costs (noted by Szymanski, 2017). To varying extents, all are present in the narrower TIF context later discussed.

Externalities

An externality is a cost or benefit affecting a party who did not choose to be subject to the impact (Buchanan and Stubblebine, 1962). There are positive and negative externalities. A commonly used example of a negative externality is pollution, where polluters may garner financial benefit from their activity and the cost is borne by those who see no financial gain. Likewise, a form of positive externality is vaccination, where others who do not bear the cost of vaccination benefit from lessened chances of coming in contact with a communicable disease. A common bond between the two is the difference between individual and collective cost-benefit.

Information Asymmetry

Information asymmetry is where one party has better information than the other, allowing the party with superior information to gain an advantage. Two primary forms of information asymmetry are adverse selection and moral hazard. Adverse selection entails a party entering into an advantageous transaction because the other party does not have the same information, and can be further subdivided into signaling and screening (Akerlof, 1970). Signaling sees that one party may signal through a particular attribute (such as educational attainment) that they can fill a need of the other, but the signal may not really be indicative of actual potential (Spence, 1973). Screening, on the other hand, is a way for low information parties to make others reveal their advantageous information (such as high information salespeople) (Akerlof, 1970).

The asymmetry of moral hazard sees a party engage in more risky behaviour than they otherwise would because they know another party is disproportionately responsible for the cost (such as "too big to fail" banks) (Krugman, 2008). Moral hazard shares a thematic similarity with negative externalities, with the distinction being the externality results from differing information. The moral hazard form of information asymmetry is also often associated with agency problems, whereby an agent will use superior information to make a decision that may benefit the agent at the expense of the principal if the agent and principal have divergent interests.

Public Goods

Public goods are those that are non-rivalrous and non-excludable. This means that a party's potential consumption does not decrease availability for another party and that it is very difficult to prevent a party from receiving the benefit without paying (Samuelson, 1954). A

classic example of a public good is national defense – a person benefitting from the national level protection offered by a standing military does not make the military less able to protect others, and it is difficult to limit the benefit of a military to only those who pay. The provision of public goods is a particularly common justification for government intervention, although the scope of public goods can be limited by the potential for a good to be a club good (Buchanan, 1965). For instance a road network may be commonly classified as a public good, but a toll road can be excludable.

Scale Economies

Scale economies in production prevent prospective competitors from challenging market power or dominance of established actors, which can include monopolies or oligopolies. Although elements of scale economies can be found in many sectors, monopoly or oligopoly situations are especially present in capital intensive sectors where barriers to entry are high, such as telecommunications or utilities (see Christensen and Greene, 1976; Demsetz, 1968). In fact utilities are often viewed as a "natural" monopoly that operates more efficiently if there is monopoly power (1968). More generally, the potential efficiency and market power of entrenched actors through scale economies provide a rationale for state intervention in the form of regulation or public ownership (1968).

Transaction Costs

Finally, transaction costs can be a barrier to what would otherwise be efficient deals between actors (see Williamson, 1979). On a small scale these costs may not create significant distortions, but if many transactions are not undertaken because of their costs, then less than

optimal allocations may follow (Szymanski, 2017). Transaction costs can be classified under several key headings: information, bargaining, and enforcement (Dahlman, 1979). With information, there are costs associated with researching and obtaining information about potential transactions to judge their efficiency (1979). Once information is satisfactorily gathered, then bargaining and negotiation will also come with expenses (1979). Finally, after parties enter into an agreement, there may be costs accompanying the enforcement of negotiated outcomes (1979).

2.2.2. Normative Interventions

Beyond correcting for gaps in efficient allocation caused by market failures, states may wish to intervene as a matter of normative policy. These normative motivations tie to classical utilitarian notions of creating the best outcomes for the greatest number. However in some instances, creating what may be viewed as such an outcome can make certain parties worse off, which in theory is a Pareto inefficient transaction. The tension between maximizing collective utility and the harm principle protecting the pursuit of individual utility, thus can be fertile ground for normative interventions. Two related and notable grounds for normative intervention are equality and the reduction of inequality through social goods.

Formal vs. Substantive Equality

The literature on equality can perhaps be best be viewed through lenses of formal and substantive equality. The former is concerned with equality of rules (or opportunity), while the latter focuses on equality of distribution regardless of, or with less emphasis on, the process and rules through which results were obtained. With formal equality, the role of the state is limited to

setting out and enforcing administrative norms through which individuals have the same formal ability to pursue utility in the marketplace. What outcomes individuals achieve within this scope of state governed opportunity is beyond the scope of the state (Nozick, 1974), and left to Adam Smith's invisible hand. Facially neutral, rules-based equality is often criticized as providing unsatisfactory solutions for the reality that individuals never come from the same resource starting point, and that this inequitable origin has no relation to individual choices.

Substantive equality attempts to address the gaps of administrative equality through distributive justice and the veil of ignorance (Rawls, 1971). Despite Rawlsian (1971) attempts to theoretically conceptualize distributive justice in terms somewhat inverse to utilitarianism (the state shall intervene to address economic inequalities except where the worst off would have a superior outcome to an equal distribution), substantive equality in one sphere may well spur externalities that lead to the worst off being eventually worse off than they would have otherwise been absent the distributive intervention.

Social Goods

Social goods are traditionally conceptualized as goods that while potentially excludable, can provide the greatest benefit to the greatest number. In some conceptions, a social good can share overlap with common pool resources, whereby exclusion of potential beneficiaries is difficult or costly. Often state intervention in the pursuit of mass utility in a particular instance, and the compounding returns from that first transaction can justify an initially inefficient transaction. This sort of calculus, frequently combined with a normative pursuit of equality, can justify government actions such as the provision of public education.

From this broader concept, an extension can be made from economic utility to non-economic happiness. Specifically, if societal happiness can be measured in terms of economic utility, then the state intervention to provide outputs of happiness can have some sort of rules-based justification. For instance, with a stadium, even if the later described literature shows no regional economic growth resulting from a club or facility's presence, there is some argument to be made that the presence of a club, event, or facility can create an increased return of happiness amongst the local population (Dolan et al., 2016; Kavestsos and Szymankski, 2010). Accordingly, surplus units of mass happiness arising from the club, event, or facility, distributed amongst the local population, can perhaps have some financial utility value that more traditional economics does not measure or focus upon.

Taxation

Beyond simply providing the means to fund efficient allocations, taxation creates new distortions and inefficiencies – taxes reduce the purchasing power of firms and individuals, manufacturing an additional need for redistribution that would not otherwise be present (Tresch, 2015). In Pareto terms then, the objective of tax policy should be seen in end results of taxation – if the net outcome of taxation from a revenue source that exceeds the benefit of its alternatives, is likewise able to improve one party's welfare without reducing the welfare of another, the allocation should be efficient (2015).

Tax policy must also struggle with efficiency and equality trade-offs (2015). Mirroring issues with distributive justice, the most efficient tax outcome in terms of gross growth and welfare allocated among all parties may often be at odds with the an allocative outcome that

produces greater welfare for more or most participants. Accordingly, the trade-off is often between growing the pie of jurisdictional wealth and creating more equal slices.

The challenges of administration and simplicity are also worth noting (2015). An efficient and simple tax system may lower the cost of collection, but may leave allocative efficiency on the table. Conversely, compliance costs of a convoluted system may entail a deadweight loss. When combined with higher tax rates on higher earners, these parties may embark upon expensive tactics to leverage asymmetric information to aggressively avoid or even evade taxes (2015). In turn, the tax authority's cost of collection will be likewise heightened, again altering the optimality of finance and allocation.

The picture is further complicated by jurisdictional competition (see Tiebout, 1956), a factor that plays a significant role in subsequent discussions in this chapter. Here the "consumer voter" may choose their own optimal allocation of taxation and goods through their potential for mobility, subject to the transaction costs of moving (1956).

2.2.3. Federal and Sub-Federal Jurisdiction

A discussion of jurisdictional competition based on tax policy then leads to the issue of what level of government should be responsible for what aspects of the allocative and finance functions of an intervention. In the United States and Canada, federalism exists whereby powers are constitutionally divided between the federal and state or provincial governments, with a body of case law precedent to supposedly clarify the dividing lines. Within the sphere of the state or province, there are further divisions of local power (municipalities, counties).

Theoretically, the literature on fiscal federalism addresses what goods or functions are most appropriately allocated by each level of government. Oates (1972, p. 54) argues that "in the

absence of cost-savings from centralized provision of a good and of interjurisdictional externalities, the level of welfare will always be at least as high (and typically higher) if Pareto-efficient levels of consumption are provided in each jurisdiction than if any single uniform level of consumption is maintained across all jurisdictions." Oates bases this theory on an efficiency presumption for decentralization based upon perceived information asymmetry between local and central governments – local governments are more likely to know local wants (Oates, 1999).

Some of the jurisdictional mobility taxation problem described above can be mitigated against through strong federal control. Indeed the federal governments of the United States and Canada have far stronger taxation powers than their sub-federal counterparts, which makes moving to attain a lower tax rate a less potentially attractive proposition for two reasons: 1) much of the pool of prospectively disparate allocations if more functions were sub-federal are off of the table; and 2) moving countries is a stronger barrier to movement than between sub-federal jurisdictions and localities within sub-federal jurisdictions. This mobility incentive has been further blunted in practice through federal governments leveraging their superior taxation powers to achieve influence in non-constitutionally federal spheres of jurisdiction through the incentive of transfer payments conditional on meeting national standards.

However, this activist fiscal federalism has itself been somewhat negated by a broader neoliberal trend of decentralization since the 1980s. Federal governments, concerned with structural budget deficits and drawing from neoliberal ideology proposing a smaller and more localized role for the state, have in certain respects rolled back federal fiscal creep and devolved spending roles to sub-federal governments (although Keynesianism made a comeback in the wake of The Great Recession). Likewise, state and provincial governments have had to reconcile significant debt loads, lower tolerance for taxation, and the fiscal imbalance created by federal

offloading, often leading to cutbacks in program and capital spending. Two common (and later discussed) means of achieving this balancing objective have been further offloading of fiscal responsibility on local governments, or entering into partnerships with private firms for delivery of government interventions.

2.2.4 Public Choice

Public investment decisions can be alternatively explained through the lens of public choice. Built from the works of Buchanan and Tullock, as well as Arrow's (1963) related social choice theory, public choice applies economics to political issues. In particular, the individual is assumed to rationally choose from a range of allocation options to maximize their own utility, as opposed to collective benefit (Mueller, 1976). Public choice is thus more concerned with the incentives of actual political and policy actors and institutions and how these incentives mould outcomes.

For this dissertation, two particularly relevant aspects of public choice are rent-seeking and regulatory capture. Rent-seeking can be defined as an actor attempting to gain financial value without producing value equivalent to the expense. Tullock outlines that rent-seeking can be efficient as significant value can be garnered at relatively low cost – consider the expense of a bribe compared to the value of a government contract (Tullock, 1980). With regulatory capture, instead of a bribe or campaign contribution, an industry or actor will co-opt a public entity in order to serve the interests of a particular group as opposed to the polity as a whole.

2.3. WHY INVEST IN INFRASTRUCTURE

Beyond the larger public investment decision, it is also worth examining the reasons for public works infrastructure investment from both a general and local perspective. As public works are typically the destination of TIF captured funds, venues are a form of public works, and many public works are delivered through public-private partnerships, this conversation will eventually extend through the remainder of this chapter's discussion. This section provides an overview of two basic and somewhat overlapping justifications for government investment in public works infrastructure before delving into factors that further influence local decisions to invest in public works.

2.3.1. Economic Growth

There is a significant literature associating public works infrastructure investment with various aspects of national and regional economic growth. Traditional public works such as highways have been shown to have positive impacts on GDP in general (Finn, 1993; Kollias and Paleologou, 2013), state gross domestic product (Garcia-Mila and McGuire, 1987), state personal incomes (Helms, 1985), and open up regional markets (Lakshamanan, 2011). More generalized public capital infrastructure investments have likewise been demonstrated to increase manufacturing output (Eberts, 1986; Nadiri and Mamuneas, 1993) and bring private investment (Pereira, 2000), although some research has shown that research and development investment has a superior social rate of return to public works (Nadiri and Mamuneas, 1993).

Indeed the gambit for many governments is that infrastructure investment will to some extent eventually self-finance, in that economic growth will lead to higher tax receipts. Where there is a policy and political debate on infrastructure spending, the conversation more concerns

project selection, relative merits, value for money, and what the appropriate private sector partnering role is in the delivery of these perceived public goods. Both the self-finance and private partnership aspects play an important role in the later discussed TIF investment decision.

2.3.2. Deficit Spending

Related to the perception of public works being associated with economic growth, is the common use of public works projects as Keynesian instruments of economic stimulus in recessions. Starting with the Depression-era embrace of massive public works programs to drive employment and aggregate demand for goods, governments have with varied success sought to counter recessions and stagnation with infrastructure spending. More recently, most western economies rolled out enormous stimulus packages largely centered on public works following the 2008 financial crisis.

Although literature has shown that competently executed public works stimulus projects, which the OECD defines as a program balancing "expediency, reporting and monitoring," can create significant multipliers (Stoney and Krawchenko, 2012, p. 498; Watt and Nikolova, 2009), public works based fiscal action is not always successful. Notably, Japan has largely failed with its far from infrastructure driven efforts to emerge from the stagnation of its "lost decade" that has become a "lost 20 years" (Bayoumi and Collyns, 2000). Challenges were also seen with the post financial crisis stimulus spends in the United States, Canada, and United Kingdom. In these three countries, there was an ongoing tension between getting money to "shovel ready" projects, whether those projects also had significant long term growth value for money, spending oversight and transparency, as well as political agency (Stoney and Krawchenko, 2012).

2.3.3. Local Government Infrastructure Investment

Transfer Payment Capture and Pork

In the fiscal federalist reality of the United States and Canada, local governments have added incentive beyond the generally cited short term stimulus and long term growth benefits of public works. Namely, infrastructure spending represents an opportunity to capture funding from superior levels of government. While almost all public works are inherently local, many are heavily funded by the federal and state governments.

Thus there is a local incentive to justify projects that might not be the most efficient use of resources from a national or statewide perspective, simply because that money can bring more local value than it could if it were committed to a competing project in another locality. A state will likewise have an incentive to support an otherwise mediocre local project if the alternative is federal funds being lost to another state. Similarly, federal-backed debt can generally be had at lower interest rates than most state debt, and most state debt at lower rates than local debt, lessening project costs, and altering cost-benefits analyses.

US federal politicians also have electoral incentives to redirect projects (or pork) to their states and congressional districts. Much the same logic can apply to statehouse representatives and their even smaller localities. With the exception of those politicians who find more utility in establishing their brand as anti-pork, funding directed at a mediocre project within their district or state is more electorally valuable than that funding otherwise being directed outside of their represented locality, even if the national economy would see a greater multiplier. For American representatives with the constant re-election pressure of two year cycles, bringing home the bacon is a tangible means of answering the question of "what have you done for me lately?" For

leadership playing with narrow margins in navigating legislation through Congress, attaching tens of millions in funding for a local public works project is a relatively small price to pass a larger bill worth tens or hundreds of billions. In its extreme, this sort of coalition building via logrolling cited by Stiglitz (1998), results in "bridge to nowhere" debacles. In its more frequent and less extreme variants, this activity falls under the national radar, but makes a visible local impact.

Local Government Competition

Local governments also use public works infrastructure as a tool in the competition for the tax bases and economic activity brought by the presence of jobs, talent, and firms. Stemming again from the work of Tiebout (1956), firms and in-demand workers have options on where to locate. Absent major barriers to mobility, quality infrastructure is a boon to manufacturing and service firms alike. Workers are also attracted to places with public amenities, as well as accessible commuter, regional, and national transport options. Both firms and talented workers are likewise attracted to the presence of one another.

Also pertinent to American local jurisdictional infrastructure competition, is the extent to which schools are funded by local government. In some states, school funding is dominated by local property taxes, meaning that cities with a stronger tax base are able to provide a better funded public education at a lower tax rate. Beyond schooling, the absence of a broad tax base makes a jurisdiction less attractive to prospective higher income residents who would be taxed more highly and receive worse individualized returns on their taxes, with that return deficit having to be made up for in some other way. While infrastructure to bring tax base growth is one means to address this issue, this chapter will later discuss another – local economic development

programs. As we will see, TIF can be a flexible method of fitting programs under both of these headings.

2.4. PUBLIC-PRIVATE PARTNERSHIPS

Public-Private Partnerships (PPPs) are a catch-all term for a wide range of relationships between private and public organizations to deliver goods or services. McQuaid (2000) classifies PPPs based upon their purpose, the parties involved, the timing, location, and means. This section aims to evaluate PPPs more generally, as well as how they pertain to the primary and overlapping contexts of this chapter – local infrastructure, local economic development, TIF, professional sports venues, and sport venue TIF.

2.4.1. Basics of PPPs

PPPs are a means to pursue mutual benefit (Holland, 1984) through the sharing of project risks and rewards in a way where all partners will theoretically be better off than they would be absent the partnership (McQuaid, 2000). PPPs can be seen as stemming from the concept of comparative advantage, whereby the opportunity cost of production is lower for one actor than it is for another – here there are potential efficiency gains for the public through allowing the private sector have a particular role in production or service provision. The increased popularity of PPPs in recent decades can be viewed alongside the rise of neoliberalism and privatization.

PPPs are often centered on a particular project, or a larger series of projects unified by geography. Venue centered PPPs can focus on the venue itself, or encompass a larger series of projects designed to bring about local economic development (Bennett and Krebs, 1994).

Although this section focuses on more traditional infrastructure PPPs, local economic development subsidies can also be considered PPPs.

Depending on the nature of the project, major infrastructure PPPs can be formulated through some combination of design, build, ownership, operation, transfer, and finance. PPPs differ from more traditional government procurement relations in that these partnerships are far more continuous in nature (Grimsey, 2004). While governments may enter and renew contracts with the same private partners over long periods of time, the framing contracts of PPPs are far more enduring in nature (2004). A PPP will also often see more significant shifts in balance of power over the course of the partnership than other contracts (McQuaid, 2000).

2.4.2. Advantages and Risks of PPPs

Other cited advantages of PPPs in infrastructure and local economic development are resource pooling and protection against optimism bias. With the first, different public and private partners can bring complementary competencies to a project (McQuaid, 2000; Webb, 1991). For instance, a public partner may bring superior financing capacities but private partners can more efficiently design, construct, and operate. Building upon resource pooling, efficiency can bring improved public perceptions and confidence, as well as bring longer term partnership stability (McQuaid, 2000).

Optimism bias in infrastructure projects leading to cost and time overruns, in addition to underperformance upon completion, is well discussed by Flyvbjerg et al. (2009). Namely, project estimates too frequently become products of optimism as opposed to realism, driven by decision makers succumbing to the psychological concept of the "planning fallacy." This issue is

compounded by "anchoring," which sees a reference point established from an initial estimate and subsequent estimates failing to sufficiently adjust even when major problems arise.

A well-designed PPP can guard against the public partner from bearing the primary risk of optimism bias driven underperformance, cost overruns, or completion delays. Although public risk cannot always be avoided, by aligning project risks and rewards to ensure that the private parties would have more to lose through underperformance and more to gain through meeting performance standards, the public's exposure can be mitigated through incentives other than contractual bonus or penalty clauses. As we will see, the pay-as-you-go version of TIF as a PPP, where improvements are funded or reimbursed as increment is created, has a built-in hedge against optimism bias through only providing public funds as they materialize through private partners delivering on commitments to build.

More broadly, we might consider a simplified example of a private partner responsible for design-build (including cost/time overruns) and operation of a venue and the public providing a share of the facility capital cost, land, and infrastructure via TIF reimbursement, as well as its access to cheaper financing, in return for a share of operating revenues and a much lower capital cost than if the venue were a purely public project. Through the fusion of construction and operation, the private partner would have an added incentive to ensure timely and on-budget completion by subcontractors so that operating and TIF revenues from real estate began flowing – the self-interest of the private operator would align with the public partner's interest in project success and reducing the public scope of risk at the cost of sharing upsides. Here potential agency conflicts actually align.

Though similar arrangements could be achieved through contracts short of partnership, a private operator would only be concerned with the revenue flow from whenever operations

began, the design-builder would look to take the most self-advantageous option of a penalty clause for late completion, bankruptcy, or going over budget to speed completion. While the independent self-interests of the design-build contractor could end up aligning in a way that would maximize project welfare, there is a greater risk that they will not, and the financial risk of incentive non-alignment is held mostly by the public actors. The PPP instead comprehensively addresses long term project risks and rewards in a way that is most likely to work for all parties, while likewise utilizing the strengths of the respective parties.

Yet PPPs are not foolproof. Partnerships can be derailed by unclear definition of objectives, resource costs, uneven power balances, actors appropriating power, negative externalities on other public services, organizational problems, and philosophical differences (McQuaid, 2000). Using the same simplified hypothetical venue partnership, what was viewed as an optimal distribution of actor strengths, risks, and rewards, may unravel through undue administration costs that turn operating profit into deficit, or a private partner leveraging oscillating bargaining power at an opportune time to extract a better deal from a public partner stuck with a range of bad options. Similarly, the risks exist that both public and private elements of the partnership will engage in rent-seeking activities to benefit narrow interests, financial issues will arise drawing resources from other public spending priorities (such as schools), and that the organizational structure will be incapable of responding to unforeseen challenges. While these pitfalls can be fought through transparency and initial contract design that anticipates potential future issues and includes safeguards to mitigate against the worst reasonably foreseeable outcomes, the initial bargaining reality of the public actors (often responding to the monopoly bargaining power of teams championed by Ross, 1988) has seen many venue PPPs eventually lead to disaster.

2.5. LOCAL GOVERNMENT FINANCIAL ASSISTANCE

For governments pursuing interventions to facilitate economic growth in a region, municipality, or neighborhood, financial assistance to private business is frequently the direct complement or alternative investment opportunity to more indirect infrastructure spending (see Bartik, 1991). This financial assistance is commonly operationalized as property tax abatements, land transfers at below market value, tax credits, grants and subsidized loans, enterprise zones, and TIF. These incentives can also be packaged on an ad-hoc basis in "one time" deals to attract or retain particular firms or projects. After a brief overview of certain instruments and the sprawling literature on the effectiveness of local government financial assistance, this section focuses on common explanations of why financial incentives are provided.

2.5.1. Non-TIF Financial Assistance

Property Tax Abatements

Property tax abatements involve the deferral, reduction, or elimination of property taxes for a period of time (Dalehite et al., 2005). Abatements are typically conditional on the creation or renovation of new or obsolete commercial or industrial facilities, or real estate development in blighted areas, and can be used alone or alongside other financial incentives. After job creation tax credits, abatements are the most common means of local economic development assistance (Bartik, 2017). Abatements are popular with local governments as property taxes constitute the most significant aspect of local government fiscal power devolved by states.

Criticism of property tax abatements generally center on ineffectiveness and indiscriminateness – abatements can be overused or succumb to "me too" situations where their overall effectiveness is diluted (Maurer, 2005). Similar to TIF, abatements can operate on a but-for basis, whereby a local government can claim that the beneficial activity was made feasible by the tax break. However, instead of revenue being theoretically diverted to some good, the tax is simply retained by the firm or eventually paid at a lesser present value.

Land Transfers

Local governments will often acquire or come into possession of land through various means, including tax delinquency, eminent domain, and strategic acquisition. Often these lands are held through local government controlled or affiliated entities, such as municipal corporations, development authorities, and land banks. To bring more attractive projects, local government related entities will assemble, clear legal encumbrances against, prepare for construction, and transfer the lands to developers for below market value consideration. These land transfer subsidies can be accompanied by local government infrastructure and service contributions. In return, developers will often have period in which construction milestones must be met, or the local government will have an option to repurchase. Where land has been acquired for substantial consideration, but still under market value, a repurchase price well below the initial subsidized price serves as a strong contractual incentive for recipients to follow through on their commitments.

Tax Credits

Employment-based tax credits are the most common form of local financial assistance (Bartik, 2017). Available in almost every state, this type of incentive provides a credit for jobs or payroll created or retained. Job retention is conceptualized on a but-for basis – but-for the credit the job would have left the jurisdiction. Some states also have schemes where a portion of income tax revenue created from new jobs will be credited to the employer.

Whereas property tax abatements are the tool of choice for local governments, tax credits are the primary means of state governments with a more expansive range of fiscal options. Tax credits are also often targeted at specific industries (such as manufacturing, technology, or film). A tax credit is particularly potent if it is refundable, meaning that the firm in receipt of the credit will receive a rebate from the government even if there is no tax owing. While the incentive may be of value to the firm, research indicates that tax credits are of little statistical significance in growth terms (Bartik, 2017).

Direct Grants and Subsidized Loans

Often firms will receive direct grants from state and federal appropriation programs (such as the HUD Community Development Block Grant). Common headings include those for job training, new project development, brownfield cleanup, and energy efficiency. The intention of these grants is to offset project costs to make a particular project, or a particular means of executing a project, more attractive relative to investment alternatives. Likewise, for project costs not covered by or eligible for grants, state and local governments can offer tax-exempt loans for certain types of construction or manufacturing related expenses. In addition to lower than market interest rates through the tax exemption, these bond issues have far longer maturity

periods than commercial debt. Some public choice literature theorizes that grants are intended to effectively buy votes, with larger state bureaucracies positively associated with more and larger grants (Grossman, 1994).

Enterprise Zones

An enterprise zone is a geographic district where a combination of the above discussed tax and regulatory incentives (as well as TIF) are combined with the intent of spurring redevelopment. Enterprise zones became a popular tool for states in the 1980s to address urban blight, with 37 states and the District of Columbia implementing enterprise zones by the early 1990s (Papke, 1993). In addition to direct incentives, enterprise zones will often be packaged with urban planning efforts and infrastructure investment (Fisher and Peters, 1997) in an attempt to accelerate redevelopment. However in a review of the New Jersey program, Boarnet and Bogart (1995) found in the first eight years that there was no evidence of a positive impact on gross or sectoral employment, or property tax generation.

2.5.2. Do Non-TIF Local Financial Incentives Work?

A significant body of literature indicates that financial incentives for local economic and business development are of limited or mixed effectiveness in terms of jobs and growth (Bartik, 2017; Due, 1961; Peters and Fisher, 2002; 2004; Rubin and Wilder, 1989), although some reviews based on certain econometric methods found more cause for optimism (Bartik, 1991; Newman and Sullivan, 1988; Peters and Fisher, 2004; Wassmer, 1994). Still, other scholars underline methodological issues with studies showing positive effects, such as flawed data or troubles replicating results in other locations or timeframes (Fisher and Peters, 1997; McGuire,

1992; Peters and Fisher, 2004) as well as the lack of substantive significance accompanying statistically significant positive results (Bartik, 1991; Peters and Fisher, 2004).

Likewise, there are sub-literatures taking a dim view of instruments such enterprise zones or subsidized loans (Boarnet and Bogart, 1996; Dabney, 1991; Peters and Fisher 2002; 2004). With enterprise zones in particular, criticisms center on their ability to only divert economic activity from other localities (Papke, 1993) or public revenues to big business (Lambert and Coomes, 2001) as opposed to creating jobs (Bondonio and Engberg, 2000), growth, or increased property values (Boarnet and Bogart, 1995).

Bartik's 2017 work is perhaps the most comprehensive and recent attempt to provide an in-depth assessment and analysis of the impact of financial incentives on local economic development across states. Comparing the impact on property, sales, and income taxes from abatements and four types of tax credits some 25 years after his more optimistic 1991 review, Bartik concludes that these incentives are usually of statistically insignificant, and sometimes negative value, considering their cost. Interestingly however, Bartik does not evaluate TIF.

Despite the questions and red flags raised by the literature, local economic development actors themselves believe their incentives are useful in growing the tax base (Wolman and Splitzley, 1996) and these actors seek out credit for subsidy impacts (Peters and Fisher, 2004; Wolkoff, 1992; Wolman, 1988). So if these policies are a mix of somewhat negative, somewhat positive, or undetermined value, how beyond rent-seeking and optimism bias by local actors do we explain their wide penetration? There are three primary headings under which the literature classifies the "why" of local financial assistance: interjurisdictional competition, fiscal stress, and political culture (Saiz, 2001).

2.5.3. Interjurisdictional Competition

Local financial assistance has been traditionally understood through a public choice lens as a means to compete for economic growth with alternative destinations in a federalist framework (Saiz, 2001; Tiebout, 1956). Historically, the bottom line in this calculation has been measured in jobs (Bartik, 1991) and the tax base they bring with them. In recent decades, more attention has also been paid to developing innovation, a skilled workforce, entrepreneurship, and the lifestyle amenities that firms and workers in this space desire, as well as assistance directed at business retention and incubation (Zheng and Warner, 2010). In each instance, this competition for residents and employers is an extension of the previously mentioned basic theory on local government expenditure whereby "the consumer-voter may be viewed as picking that community which best satisfies his preference pattern for public goods" (Tiebout, 1956, p. 418). In this competition cities are willing to the use tools most readily at their disposal to maximize their opportunity to realize growth objectives (Peterson, 1981; Wolman and Spitzley, 1996), subject to politically imposed limits, wants, and incentives (explained in a broader context by Elkin, 1987; Wolman, 1988; Wolkoff, 1992). Alternatively, localities that would otherwise prefer to not compete with incentives may feel compelled to offer assistance to retain what they firms and jobs they have, or remain on a level plane with their neighbors (Maurer, 2005).

A more modern variant of interjurisdictional competition, focused on skilled workers and innovative firms, has perhaps been most popularly communicated through Florida's creative class and cities frameworks. Florida argues that the highly educated, innovative, and professional "Creative Class", accounting for roughly 30 percent of the workforce, desires cities with the "3-t's" of talent, tolerance, and technology. Within these cities, the creative class seeks a stimulating "Street Level Culture" (Florida, 2002), effectively a proxy for urbanist environments with

experiential diversity. Thus instead of direct subsidies for firms and jobs, the creative frame looks to develop an attractive urban environment, with various forms of financial assistance being tools to that end.

Localities might also aim to create or expand clusters where firms in the same industry sector might seek geographic proximity to their direct suppliers, customers, or competitors (Porter, 2000). In the venue context for example, a cluster may include multiple clubs, possibly in multiple facilities, with other entertainment related amenities also in close proximity. Clusters can create competitive advantages for firms and their host localities, such as increased productivity and wages, economies of scale, innovation, and new businesses (2000). Thus instead of competing at the firm level, local governments are competing to make their clusters attractive. While subsidization of initial actors in a proposed cluster might appear tempting to local governments, Porter (2000) argues that government interventions should focus upon building existing clusters where the market has found some sort of rationale for location as opposed to altogether new ones.

2.5.4. Fiscal Stress

In addition to strict interjurisdictional competition, some scholars highlight the motivation of fiscal distress or capacity (Saiz, 2001). Within this thread, there are two competing approaches. The first outlines that local governments are spurred to respond with financial assistance where economic and fiscal stress is present to attempt to regain normality in both respects and avert the death-spiral of declining revenues, departing revenue creators, and increased demand for services (Saiz, 2001; Zaltman, 1973). Alternatively, others argue that financial assistance emerges from superior capability, meaning that a surplus of resources lowers

the risk of new attempts to spur economic diversification or growth (Bozeman and Slusher, 1979, p. 349; Levine, 1978, p. 317; Saiz, 2001).

2.5.5. Political Culture

A third explanation for the use of financial incentives to business by local governments comes from political culture (Basolo, 2000; Reese and Rosenfeld, 2001; Saiz, 2001; Wright et al., 1987). While acknowledging that interjurisdictional competition leads local governments towards investment in financial assistance programs versus more "progressive" spending on goods such as affordable housing, Basolo (2000) emphasizes the impact of "political variables" in outcomes.

A strong element of these political variables flow from regime theory. Providing a more explicit refutation to strict public choice understandings of local financial incentives, regime theory argues that the complexities of local politics impact policy through brokering, coalition building, and resource sharing between public (elected and bureaucratic) and private centers of political and economic influence (Basolo, 2000; Stoker, 1998). This also relates to the literature on community power, whereby elites in one jurisdiction compete with elites in other jurisdictions to implement economic development agendas (Basolo, 2000; Molotch, 1976; Polsby, 1963), manifesting itself in variations of the "growth machine" concept through which coalitions of elite local organizations promote self-beneficial urban policies while selling these policies as benevolent (Delaney and Eckstein, 2006; Lauria, 1997; Logan and Molotch, 1987; Molenkopf, 1983; Molotch, 1976; Schimmel 2006; Troutman, 2004). These models also explain some of the impetus for the PPPs, including those concerning professional sports venues, subsequently discussed.

Yet Reese and Rosenberg (2001) take a step back and argue that the common methodological explanations fail to explain any number of instances. These include structural explanations (whether a city has a strong mayor or ward system), political stripes of elected officials, fiscal stress, businesses seeking incentives, businesses being the critical level of analysis, or localities experimenting with alternatives to see what works. While Reese and Rosenberg (2001) acknowledge that there is some merit to the "accepted truths" explaining local financial assistance incentives, their argument is more that one-size does not fit all. Instead, they set out that whether "surface similarities" falling under the headings of public choice, fiscal stress, or political culture apply in any particular instance can be best seen through the lens of civic culture, defined as the "local systems for political and/or public action and processes for distribution of goods" (2001, p. 208).

Although this local civic culture theory primarily comes off as an extension of political culture arguments, the ability to place more or less emphasis on certain sub-characteristics from any one of the three broader explanatory headings as local circumstances entail is quite attractive. As we will see in the venue and TIF contexts, each of these explanations have some merit, but to what extent each is determinative can be highly dependent on local facts.

2.6 KEY TIF ELEMENTS AND STRUCTURES

2.6.1. Blight and But-For

In addition to the TIF basics overviewed in the introductory chapter, most jurisdictions will have some form of blight or but-for requirements. These elements are sometimes also found in other local economic development incentives. But-for means that absent the use of TIF, the

development would not occur, occur as quickly, or it would occur in a less fiscally beneficial form. But-for can be established in a number of ways. Sometimes a project proponent will sign a contract affirming that but-for TIF subsidy, they would not undertake the project or not undertake the project to the extent that the costs of the change would exceed the TIF subsidy. In other jurisdictions, a TIF board may make a but-for determination. While quantitative measures can be used to contribute to a but-for determination, many states leave findings to the subjective whims of local governments or their delegates.

Blight stems from the concept of urban blight or decay, a process through which neglect of the physical environment is often accompanied by job loses, firm and resident departures, a rise in crime, and general economic deterioration. TIF conceptions of blight often include the designation of the area as an economic, social, or public health liability. More specifically, a blight definition may require one or some combination of the following to be present: deteriorating or obsolete structures, unsafe conditions, vacant lots, assessment delinquency exceeding land value, environmental contamination, and inadequate infrastructure.

However many state TIF statutes have other less specific provisions that allow for TIF zones to be established in areas beyond the traditional conception of blight. These expansionary provisions can be as subtle as “inadequate planning” or a problematic “street layout” (Briffault, 2010, p. 78). In a review of TIF statutes, Johnson and Man (2001) found that while 33 states had blight requirements, only seven imposed quantitative measures of blight, such as internal rate of return calculations. These numbers are updated in part by the legal inventory work later found in this dissertation.

With a combination of vague blight and but-for provisions, TIF has moved beyond redevelopment of blighted urban brownfields, to simply being a means to finance development

of any nature. Instead of being a limit on TIF expansionism, courts have in many instances provided deference to local government interpretations, leading to such infamous examples of TIF being used as the seed for growing a Walmart Supercenter out of a blighted Wisconsin fruit orchard (Farwell, 2005).

2.6.2. Financing TIF

There are three somewhat overlapping means of using increment to fund improvements. With significant increment generation usually taking years to follow the designation of a TIF zone, many jurisdictions will use the collateral of anticipated increment to issue debt so that the compounding benefits of redevelopment can be experienced earlier. Local governments can choose between debt supported by future TIF revenues, or general obligation bonds backed by the general fund. While the latter often allows for a more advantageous interest rate, the risk to the taxpayer is heightened as most municipal revenues will be on the hook to cover any TIF underperformance. In large part for this reason, some jurisdictions have a statutory bar to general obligation TIF debt.

Other states have even more severe restrictions on TIF-backed borrowing. For local governments in those jurisdictions, or for those who prefer to avoid the risks of debt issue more generally, a pay-as-you-go approach will often be taken where TIF improvements will be funded as increment is created. Finally, a third compromise option exists where developers will finance improvements to be reimbursed upon sufficient increment generation. Mostly operationalized by contract priority, the developer and the local authority will typically agree as to what project or party receives what amount of incremental revenue when. This form of project finance combines the benefit of early improvement impact with TIF performance risk being transferred from the

public to the developer. However, as will be demonstrated in this dissertation's first Dallas case study, developer reimbursement TIF is liable to fund projects that do not meet a true but-for standard.

2.7. TIF THEORY

Despite the relatively sprawling TIF literature, there have only been two works primarily focused on theory (Brueckner, 2001; Weber, 2013). These articles focus on both the financial and political utility from the perspective of a local government (typically a municipality) contemplating TIF use. This section explains and builds upon these two theoretical lenses, and then expands the conversation on expected return to state and local government bodies that either enable or participate in, but do not initiate, TIF use.

2.7.1. Financial Utility

Weber (2013) conceptualizes TIF as a means of smoothing revenue fluctuation for local government over a project's lifetime – by nature the costs of a new development project (such as servicing infrastructure) will be frontloaded and the revenue benefits mostly received on the backend. TIF provides a means to finance improvements up-front while limiting the risk pool to project itself. To demonstrate that a prospective investment is worthwhile to local government in the first place, Weber (2013, p. 58) argues that developers need to show that their projects will create revenues in excess of "the sum of discounted future increases" of the current use and that this beneficial revenue scenario does not happen – effectively but-for.

2.7.2. Political Utility

From this set of initial financial considerations, Weber proposes that TIF provides a bureaucratic incentive for local economic development agencies to gain an earmarked and secure funding source that does not have to be fought over with rival elements of local government come budget time (Weber, 2013). Complementing this is Brueckner's (2001) argument that TIF creates a political shield for elected officials relative to the alternative of raising property or other taxes to fund improvements. In this alternative, while property owners near the proposed improvement would be likely to support the tax hike assuming their property values would be expected to increase, many more property owners who would not directly benefit from the project are inclined to oppose the rate hike (2001). Politicians, even those who may support the proposal in the abstract as a worthy public investment, must make some combination of two calculations: first, weigh the project benefit against the wider direct cost to non-benefitting ratepayers, and second, anticipate the electoral impact (2001).

Although the relative value that any given politician will place on each calculation may differ based upon their own incentive structures (such as issue saliency, potential for beneficial logrolling, electoral competitiveness, ambitions, or philosophy) as well as the personalized inputs into those structures, TIF alters both equations in ways that improve a project's political feasibility. In terms of project utility, there is no new direct tax hike – the benefits of the project can be realized with no party paying a higher rate of tax. If true but-for is present, then the project creates new revenue without depleting the general fund of revenues that would have otherwise still been created. However if there is not but-for, then the project is merely diverting revenues from the general fund, meaning that all ratepayers are experiencing an increased tax burden relative to the absence of TIF.

While the utility cost-benefit may dissipate in this instance, the political cost-benefit does not. Although the end effect may well be that taxpayers not directly benefitting from the project will have a higher share of the tax burden, this potential end is far more obscured from view than a direct rate hike. On the front end, elected officials can claim but-for and highlight the partially plausible truth that the improvement will not increase anyone's taxes. Whereas a direct tax raise will be visible on a bottom line, the additional relative tax burden paid due to a TIF project diversion will not be. Thus the incentive for non-directly benefitting owners to mobilize opposition is lessened and the range of voices elected officials will be hearing from will be more heavily loaded towards project proponents.

2.7.3. Overlapping Capture

Even where but-for is not present and the financial utility cost-benefit calculation does not on its face meet muster when limiting consideration to the general revenues of the jurisdiction in which a TIF project is being evaluated, Brueckner (2001) highlights that a TIF project may yet still become financially viable through TIF's ability to capture revenues from overlaying and neighboring jurisdictions. In the most common instance of real property TIF, while property tax revenue will generally make up a plurality of diverted revenues, most jurisdictions will have some combination of dedicated school, county, transit, hospital, and library mill rates that may combine to be almost as significant as revenues flowing to a municipal general fund. Further, as the boundaries of these overlaying taxing jurisdictions often do not mirror municipal boundaries, TIF is an opportunity to lessen the relative share of these overlaying services for the ratepayers of the TIF initiating municipality.

Thus the capture of these taxes that would not otherwise flow to the general fund can change the cost-benefit from the narrow perspective of municipal officials concerned with purely municipal programs and outcomes. Some jurisdictions (such as Texas) however, control for predatory municipal TIF use, whereby otherwise uneconomical projects are made feasible on the backs of overlapping increments, by allowing for counties or school districts to negotiate the extent of their participation. Still, this opportunity for municipalities to capture overlaying increments through negotiated participation allows for the framing of TIF projects in ways that will be viewed as financially beneficial for all parties and also more lucrative than the same TIF project in a single jurisdictional model where the alternative is for all revenues to flow the general fund.

2.7.4. Competition

Similarly, TIF provides a safer means for localities to compete with infrastructure or financial assistance to firms. Whereas a non-TIF dependent grant to lure (or retain) a firm or project may not produce a return sufficient to justify the subsidy, a pay-as-you-go or developer reimbursed TIF project will only pay out to the proponent if the return is as expected. As previously noted, this shifts the risk of underperformance from the municipality to the private party, forming a sort of stop-loss mechanism on a subsidy race to the bottom. Considering the well-documented phenomena of underperformance in megaprojects (see Flyvbjerg et al., 2009), this risk shifting is especially pertinent to the venue context.

TIF's flexibility provides even further political advantage. For bureaucrats, besides the already earmarked nature of TIF budgets that Weber (2013) points out, TIF provides a pool of local economic development funding that is typically not subject to direct oversight by elected

officials. This means that increment can often be allocated or reallocated depending on project needs without having to go back to council. TIF can also provide the opportunity for a trial and error approach – early funded elements proven ineffective can in some instances be replaced with prospectively better investments. Likewise TIF can be used to more expediently plug unforeseen gaps or needs. For elected officials, flexibility allows for mistakes to be covered up without being subject to the more direct public scrutiny of new council business.

2.7.5. Why TIF For Local Governments?

The aforementioned flexibility and political upside relative alternative means afforded by TIF explain much, but not all, of its appeal to local governments. As noted, local governments are creatures of state or provincial governments and their more closely controlled fiscal powers are limited to those devolved by these sub-federal powers – this scope typically includes property tax abatements, TIF, land assembly, and certain grants. Thus in some jurisdictions, the nature of the statutory drafting provides an inherent relative advantage for certain instruments, and in some places the policy nudge is weighted towards TIF.

Alternatively, local governments can turn to programs more directly controlled by senior governments, such as tax credits, block grants, enterprise zones, and tax exempt loans. While these senior government programs may be more lucrative, there is a loss of local control, and often restrictions limiting competition within a state – a state job creation tax credit for example cannot generally be used to lure firms already within the state.

Likewise, because of state determined limits or requirements for grants, there may be other significant gaps in project funding. Indeed a survey of municipal managers cited the three most popular objectives of TIF use to be new business attraction, downtown redevelopment, and

retention or expansion of existing business (Forgey, 1993; Griefer, 2005). It is hard to conceptualize a subsidy that could at once, and with as little political friction as TIF, be provided as a direct grant to lure business, a source of funding to repair downtown sidewalks, and pay for remediation of a potential site for venue expansion.

Thus local governments who wish to intervene in local economic development can try to take what they can get from superior governments, but in the pursuit of filling gaps left by state programs or providing an advantage relative to neighbors within a state, are ultimately left with a selection of local means. Compared to abatements, land, and financial grants, TIF has a potent combination of flexibility, being politically advantageous, and to some extent able to shift underperformance risk to private parties. It is this troika of overlapping motivations that can to a large extent explain TIF's development into what Briffault (2010, 65) has coined "the most popular tool." This said, TIF is often just one of multiple incentives present.

2.7.6. Why Do State Governments Enable TIF?

As states (and Canadian provinces) are ultimately the enablers of TIF statutes, a larger question concerns what these sub-federal powers hope to achieve through TIF use by their local governments. The answers can be broadly classified under three overlapping headings: circumventing state constitutions, devolution, and risk shifting. As American states have a far lengthier and more extensive body of TIF use than Canadian provinces, this section focuses on states.

In some states TIF has been a means to sidestep the need to gain direct voter approval or legislative supermajorities for alternate financing schemes. This has especially been the case in California following the implementation of Proposition 13 in 1978, which capped the inflation of

most property taxes and requires a two-thirds legislative majority to overturn. By 2001, TIF accounted for over a tenth of California's property tax base. Indeed TIF caused such a significant fiscal hole for local governments that the state ended redevelopment authorities altogether in 2012, but brought TIF back in a more limited form in 2015. In other jurisdictions (such as North Carolina), TIF bonds are not subject to the same voter approval requirements as general obligation bonds (Juby, 2004).

TIF also provides a means to facilitate local financial assistance at a lower cost to the state government. This effective devolution is consistent with the earlier mentioned trend of fiscal downloading from federal to state or provincial governments, and in turn, to local governments. To address what local governments may view as a growing fiscal imbalance between what cities have to pay for and their available revenues, TIF can be a particularly attractive means. With instances where TIF is dominated by property taxes, instead of creating a new state transfer program, TIF merely allows local governments to shift what would already be their own revenues in targeted directions. Although a transfer program would be more financially lucrative for local governments, transfers generally come with conditions, and sometimes these are ad-hoc and politically influenced. The comparative upside of TIF is that within limits prescribed by statute, local governments are free to design and allocate increment to projects of their choice.

The less common use of TIF for diverting consumption taxes has slightly more favorable distributional consequences for local governments. Unlike property taxes, consumption taxes in the US are overwhelmingly state revenues, with some local governments being allowed to add points to the state rate. Thus instead of merely being able to divert their own local revenues, local governments can capture state revenues, much as they capture overlaying school district and

county property taxes. The incentive for the state here becomes as much one of devolution of financial risk as it is devolution of financial responsibility. Compared to some form of grant program – where while the state gets approval on the front end and may have monitoring levers for continued funding, ultimately the risk of project underperformance of the state's investment is substantially held by the state – if a grant goes to an eventually failed project, the amount of that grant is a loss of state resources. With sales-TIF however, the state merely approves a diversion of incremental revenues – no current revenues are lost – and if the project underperforms the state has no sunk grant costs. Further, if the project is a fiscal success the state will eventually benefit when increment reverts to its pre-TIF destination.

The sub-federal risk calculation applies much the same to traditional property assessment TIF, meaning that the state gains all of the risk transfer benefits while potentially fully devolving the fiscal cost to local governments. This combined devolution of fiscal and risk responsibility can go a long way to understanding why almost every state government allows for TIF. Indeed where TIF has been restrained, it has seemingly been to protect local governments from themselves, and ostensibly the state from the consequences of TIF induced or contributed fiscal stress.

2.7.7. School and County TIF Participation

While state and local governments have obvious incentives to enable or embark upon TIF projects, overlaying jurisdictions whose share of property tax increment is liable to be captured and diverted from its intended purpose, have less clear reasons to consent to TIF participation. The simple answer in some states is that non-initiating jurisdictions have no choice – their increment is frozen at baseline levels when local governments choose to implement TIF. With

school districts however, the picture is complicated by state aid formulas. Some states, such as notorious TIF user Illinois, or later discussed Michigan, have formulas by which the state sets a minimum per-student amount and will make up the difference for districts that fail to meet the per student threshold.

Thus for school districts near or below the state aid level, captured TIF is merely replaced by state funding and TIF has the potential upside of creating greater than state aid level funding in the longer term when increment reverts back at the TIF district's expiry. This seemingly neutral or slightly positive incentive can be compounded by negotiated agreements between a school board and municipality. For instance, local governments may agree to transfer a share of their sales or other tax revenues in the TIF zone to make up for lost increment. Accordingly, a school board could receive state aid for lost property taxes on top of negotiated shares of non-property tax increments. Negotiated participation agreements in some cases additionally allow school boards to allocate more of their increment than the minimum mandated by statute, providing boards with bargaining power over project design.

Where a county is not the TIF initiator, there is a more facially understandable reason for participation than with a school board. If the county or its development agency believes that financial assistance to business, and specifically TIF, works, then it will be inclined to be supportive. Likewise, if TIF is viewed as a means for the county to compete with neighboring counties, the county will happily allow a municipality to take on the primary share of the subsidy cost for a project that will likely benefit the county as a whole, if not all municipalities in the county. Also, where state statute allows for negotiated county participation, counties can negotiate project design to reflect specific county objectives, as well as minimize the potential

for deadweight losses through predatory competition between municipalities within the same county.

2.8. THE APPLIED TIF LITERATURE

Building upon the three-pronged TIF review structure of Greenbaum and Landers (2014), the economic-focused TIF literature can be divided into three overlapping threads: property valuation outcomes, economic development outcomes, and fiscal outcomes. Beyond these streams, this review adds a further three outcome categories: jurisdictional, legal, and mixed-use. The first of these, jurisdictional, overviews and compares works broadly concerning relative impacts of TIF on neighboring and overlapping jurisdictions. The subsequent legal thread brings together works that often focus on statutory interpretation and litigation concerning TIF, with particular attention to the concepts of but-for and blight. Here articles compare different state frameworks or center on the legislative application of TIF within a particular state. Other works aim to develop guidelines on best TIF practices and evaluate TIF as a legal and policy transplant, and even as a socio-historical phenomena. Finally, I have created a category for publications addressing TIF by land use, with the focus being on mixed-use districts and developments. While the six broad categories of TIF that this review contemplates are intended to facilitate the isolation and discussion of trends within the TIF literature, these categories are by no means silos. In fact, there is significant overlap between categories and works, with multiple articles having sufficient relevance to merit inclusion into more than one category.

2.8.1. Property Valuation

Providing some answers to previous questions as to whether TIF itself causes growth (Anderson, 1990), Man and Rosentraub (1998) demonstrate that out of a data set of 151 Indiana cities, the 23 that adopted TIF saw median growth in owner-occupied housing values of 11% relative to what they would have otherwise been without TIF, showing that TIF can indeed stimulate broad growth for communities that adopt it. Similar findings were made by evaluating TIF in Chicago (Smith, 2006) and Milwaukee (Carroll, 2008; Carroll and Sachse, 2004), with Carroll going so far to argue that the impact of TIF was underappreciated.

While there are substantial indications of a positive relationship between TIF and property values, the picture becomes more confusing with multiple papers taking more ambiguous or contrary positions. Weber et al. (2003) conclude that TIF does not result in assessment gains for industrial properties, but does for mixed-use TIF districts. Returning to Chicago with a 2002 to 2012 data set, Kane and Weber (2016) again show mixed results in terms of positive growth relationships, with commercial real estate subsidies having the strongest and infrastructure the weakest. From this, the authors suggest that a proper evaluation of TIF effectiveness requires that variations in subsidy spending be accounted for. Also analyzing TIF hotbed Chicago, Farris and Horbas (2010) similarly point out the difficulty in measuring and isolating TIF effectiveness, for their part recommending that variations in subsidy spending should be adequately accounted for.

Likewise, the examination of Wisconsin municipalities over a 23 year period found little reason to suggest that TIF has had significant impacts on cumulative value of industrial or residential properties, or aggregate property values in general (Merriman et al., 2011). However Merriman et al. (2011) did find that TIF had a positive impact on commercial property values

and stimulated real estate development within TIF districts themselves without this replacing development that would have otherwise occurred within a jurisdiction absent TIF.

Others have taken more novel approaches. Bland and Overton (2016) argue that the private as opposed to the public role is what achieves land value gains in a TIF project, although the public role is necessary leverage to maximize these private gains. Immergluck (2009), on another level altogether, related analysis of TIF zone property value changes related to media reporting of events in Atlanta, finding that local media coverage of the planning process correlated with significant property value increases, possibly spurring a wave of speculation and gentrification. This latter work pushes consideration of the extent to which findings showing TIF spurring property value appreciation can be attributed to speculation.

2.8.2. Economic Development Outcomes

The broad economic development literature is no more conclusive than that of property valuation. Providing a jumping off point for many subsequent TIF inquiries, Anderson's (1990) examination of Michigan cities determined that faster growing cities use TIF. Yet a decade later, Dye and Merriman (2000) contradicted this notion, finding that cities adopting TIF grow more slowly than non-TIF using cities. In coming to this conclusion, they acknowledge that variances in the literature (including with Man and Rosentraub, 1998) could be explained by different dependent variables, statewide versus metro-wide samples, and states that have divergent requirements for blight to be present for TIF use.

Looking at TIF from a block-group level, again in Chicago, Lester (2013) examines the impacts of TIF on real estate development and the broader growth of economic opportunity

within TIF districts, including business creation and building permits. Controlling for selection bias, Lester finds that TIF does not positively impact economic opportunities for local residents.

Also in the TIF-heavy Illinois context, Byrne (2010) found mixed TIF impacts on another common development measure, job growth. Building off of Man's (1999) study of TIF and employment outcomes in Indiana which demonstrated mostly positive relationships between TIF and employment, Byrne (2010) finds that industrial development facilitating TIF districts have a positive association with employment, while retail-focused TIF developments have negative impacts. He considers these outcomes consistent with retail TIF districts merely rearranging already existing employment within a TIF using jurisdiction as opposed to industrial focused TIF districts actually seeing employment gains taken from neighboring cities.

2.8.3. Fiscal Outcomes

The base of this thread was well described by Greenbaum and Landers (2014) and centered on two works. Dardia (1998) looked at California TIF projects and found that the revenue credited to the presence of TIF was in excess of captured TIF revenues in less than a quarter of the circumstances examined. Kriz (2001) concluded, using a Monte Carlo net impact simulation model for a Minnesota data set, that TIF's net financial benefit was present only where pre-TIF growth in value exceeded 2% and true but-for conditions existed. Greenbaum and Landers (2014) saw these results (especially in the case of Kriz) being consistent with earlier work on TIF from Huddleston (1982) and Lawrence and Stevenson (1995), although the latter study also cited a reduction of property tax burden as the life of a TIF district progressed. From this collection of work, Greenbaum and Landers (2014) deduce that TIF exposes local

governments to losing captured TIF revenue that would have been generated absent TIF either by economic development or property value increases.

Expanding this fiscal impact base, Hicks et al. (2015), studying TIF use by Indiana counties over a nine year period, conclude that the average TIF district experiences no significant impact from TIF. Specifically, there is no impact on sales tax collections and over half of the increment growth can be attributed to growth that would have happened in the absence of TIF. Hicks et al. (2015) also note significant adverse impacts of TIF capture on school funding.

Out of this body of work, others lay out recommendations for TIF to mitigate against deleterious fiscal impacts. For Sands et al. (2008), later echoed by Hicks et al. (2015), the greatest fiscal threat posed by TIF is revenue capture from overlaying jurisdictions. However these authors also point out that the absence of capture will greatly restrict the benefits from TIF use. Along with emphasising slow appreciation as a superior threshold for TIF initiation than traditional blight, they argue that the initial TIF design and neighborhood plan needs to be well conceived to attract investment, but that on a jurisdictional basis, planners should protect against allowing TIF to diverge neighbourhoods or cities into "haves and have-nots" (Sands et al., 2008). This last point is especially pertinent with Felix and Hines (2013) finding that mid-income areas preferred TIF-use, but that TIF was rarely seen in low-income jurisdictions.

2.8.4. Jurisdictional Outcomes

Going beyond the impact of TIF within a particular municipality, Byrne (2005) analyses the prospect that neighboring jurisdictions may have "strategic interactions" with one another when making decisions concerning the use of TIF. Byrne's tests confirm these strategic interactions influence the introduction of TIF and further show that municipalities do not design

TIF use to draw revenues away from their neighbors, somewhat going against the portrait of intergovernmental conflict later painted by Briffault (2010). Byrne also finds that cities are influenced to use TIF by property tax rates, the mix of property use, the ratio of owner-occupied residences, and population gains. Skidmore and Kashian (2010) build upon this with an analysis of the same 23 year data set of Wisconsin municipalities as Merriman et al. (2011), and find a temporary effect increasing property taxes in these overlapping jurisdictions which expires with the life of a TIF district. Accordingly, they argue that TIF impacts tax rates beyond the implementing municipality.

Again using the same Wisconsin data, but relating TIF to annexation and jurisdictional overlap via border expansion as opposed to overlaying capture, Skidmore et al. (2009) find that as much as a staggering 54% of all land annexed by municipalities in the state, some 119 square miles, can attributed to TIF. The authors argue that the popularity of TIF-driven annexation can be understood through TIF's ability to capture revenues from other levels of government and efficiently concentrate funds aimed at development within the new districts.

On the same broad competitive aspect of TIF, Mason and Thomas (2010) examine three questions concerning TIF competition, municipal inequality and path dependency. Out of this analysis, they surmise that certain competitive dynamics impact TIF use, namely that any particular city's use of TIF will make neighboring municipalities more likely to also use TIF. Further, the authors find a positive relationship between TIF use and inequality between cities as well as the presence of path dependency.

2.8.5. Legal Outcomes

Starting with perhaps the most definitive work of legal TIF scholarship, Briffault (2010) challenges the notion that TIF has been of assistance to cities using it and further underlines that it is a frequent source of intergovernmental conflict and flashpoint for tension over the role of public funds being used for private benefit. Through a broad survey of TIF's history and development, Briffault argues that TIF has spread rampant because of its highly decentralized nature, playing off of local government fragmentation and competition for investment.

In a similarly wide ranging legal TIF survey, Lefcoe (2010) frames and then evaluates six common criticisms of TIF, dividing these six issues into "the questionable, the contingent and the convincing." The questionable criticisms, that prospering suburbs use TIF to lure investment from the core and that TIF should only be used in blighted inner cities, are labeled as questionable because they attach too high of a value to the impact that TIF has (agreeing implicitly with Greenbaum and Landers' (2014) notion that TIF is often merely one of many variables). The contingent criticisms, TIF subsidy of retail merely displaces sales tax revenue and TIF drains school and county revenues, to Lefcoe (here weakening the consensus on these impacts) depend on an evaluation of TIF revenues generated regionally compared to what would have been created absent the project. Finally, the convincing criticisms to Lefcoe are that TIF projects are disproportionately designed to benefit private developers and local governments fail to provide sufficient transparency on their TIF initiatives. On these last points, Lefcoe has much in common with the below mentioned critical analyses of Weber and O'Neill-Kohl (2016) and Pacewicz (2013).

Most legal TIF publications however concern one or a handful of state TIF frameworks, often consisting of a statutory review coupled with a law reform proposal. For instance with the

well-trodden Wisconsin example, Knavel (2002) argued that the lack of a built-in means to limit TIF use in Wisconsin is a problem that requires legislative amendment to correct and reorient TIF in Wisconsin back to its intended target of renewal within blighted brownfields. Knavel explains that the overly broad definition of "blighted" and lack of TIF limitation has led to TIF being a means of greenfield development and this greenfield use has encouraged undue sprawl, becoming an existential threat to agricultural and environmentally sensitive lands. Likewise, Eagon (2017), showing that the ensuing 15 years brought little change, argues that a series of statutory amendments to address clarity, predictability, measurable objectiveness and mitigating risk exposure will bring the state's use of TIF back to its intended purpose. Specifically, the law reform proposal includes a cap on increment spending to create a financial reserve, the inception of regional bodies to promote cross-jurisdictional cooperation and lessen the race to the bottom, and the selective use of pay-as-you-go TIF financing to mitigate risk.

Sticking with the single state comprehensive overview and proposal, in the St. Louis metro context, Wilson (2014) finds utility in TIF for both large and small cities, but also significant risk for abuse, including from major national retailers. He suggests reforms to the TIF commission to provide greater power to enforce the statutory but-for test and also believes solutions can be found through eliminating the jurisdictional "prisoner's dilemma" between local governments in the region via coordinated development efforts, perhaps implying that Byrne's (2005) finding of interjurisdictional "strategic interactions" should be formalized.

Lefcoe and Swenson (2014), describe the history, process and aftermath of California's decision to end TIF, detailing the step-by-step wind down of regional development authorities, including the repayment of already existing obligations (such as bonds). The authors also overview litigation concerning the statutory changes, namely the "pay-to-stay" option whereby

dissolution of regional development authorities could be avoided through the payment of stiff penalties. The most notable finding is that cities were not interested in the possibility of continued redevelopment authorities if they could not capture the increment of overlapping jurisdictions via TIF.

On the limited survey side, the early work of Reece and Coyle (1979) evaluates the TIF laws and outcomes of California, Minnesota, and Kansas. With the latter, they overview unsuccessful court challenges to the TIF law from the State Attorney General at the time. The Kansas Supreme Court rejected arguments based on prospective violations of the Kansas Constitution, insufficiently clear definitions to designate project areas, and most significantly, the (state) constitutional requirement for real property to be assessed and taxed at uniform rates (1979). Reece and Coyle find that the benefits of TIF (speaking from 1979) are apparent, insofar as encouraging efficient and profitable land use without having to surmount voter reluctance to raise taxes.

Extending the selective survey model to the eminent domain context where even if TIF is not always present, the treatment of blight definition is certainly instructive, Brown (2004) analyzes blight tests and case law where those tests were at issue in California, Maryland, and Colorado. He finds that the former has the strongest thresholds to meet, but that more stringent thresholds are appropriate for the California context, and also concludes that the Maryland test is atypical in that it only considers property-specific criteria as opposed to those concerning the area surrounding the property.

Lefcoe (2008), writing after the landmark Supreme Court decision on eminent domain for economic development,[1] distinguishes between three types of development project forms (civic

[1] Kelo v. City of New London, 545 U.S. 469 (2005).

betterment, plan implementing, and tax driven) before demonstrating why the latter form is especially well tread by governments. Lefcoe (2008, p. 49) then discusses how certain state level courts require a local government to show "tangible land use public benefits" where expropriation is at play and out of this argues that projects under the civic betterment and plan implementation banners can meet this threshold, but purely tax-driven economic development projects cannot.

There are also useful legal works centring on states that are not prime grounds for TIF use and study (these prime grounds being the Great Lakes region and California). Examining TIF in the Tennessee law and policy context, Mamantov et al. (2014) conclude that TIF is a legally valid means to finance infrastructure without creating new general obligation debt and this tool may be crucial to retain or attract investment in a competitive climate. Still they warn that the tax and legal impacts need to be considered on a case-by-case basis and are highly negotiable.

On a transparency plane, Juby (2004) examines the introduction of TIF in North Carolina through the lens of the tension between judicial review and the democratic process. Here the author is concerned with whether TIF, through providing local governments the ability to get around voter approval for bond issuance, is even a valid legislative means considering the state's system of government. Juby argues that although bond approval requirements were intended to be a substantive and procedural limit on local government, TIF does not sufficiently alter the framework of checks and limits to be void of validity for that reason alone. Juby further sets out that communities should focus on applying empirical realities of TIF (implicitly as espoused by the economically directed literature) in order to gain ideal outcomes while guarding against poor ones.

Finally, from something of a rent-seeking lens, Weber and O'Neill-Kohl (2016) examine the history of TIF in Illinois, arguing that TIF is more than a natural progression from devolution to, and competition between, local governments, accompanied by fiscal belt-tightening. Seemingly building off of Pacewicz's (2013) work on the expansion of TIF beyond being a "last resort" to a consultant-driven industry, Weber and O'Neill-Kohl reveal a network of consultants experienced in unlocking federal urban renewal funding, which transitioned to lobbying for incentives surrounding property tax to be shifted to property development from being based in job outcomes.

2.8.6. Use Type and Mixed-Use Outcomes

Where some authors found inconclusive or net negative cumulative impacts for TIF use on the whole, in certain instances these findings change when considering the land use of a particular TIF area. With Weber et al. (2003), earlier mentioned for finding no rise in industrial TIF property values, mixed-use parcels are remarkably more positively related to gains. The authors account for this mixed-use premium difference through a desire on the part of owners to adapt their lands to other uses. Building upon this, Carroll and Sachse (2004), though finding a 17% decline for a residential property in Milwaukee TIF districts, also show that placement in a TIF district specifically zoned for residential or mixed-use led to an almost 38% increase in assessment. Carroll's (2008) Milwaukee study is even more bullish in quantifying, and successful in isolating, a significant value premium for mixed-use, with these assessment classifications bringing 13.5% and 9.4% increases in assessments respectively.

These results are supported by a number of qualitative works, including Geisman (2004), who found St. Louis's first "neighborhood" TIF district as particularly successful in improving

streetscapes and boosting a “struggling” retail and mixed-use area, and Rabianski and Clements (2007), whose industry survey saw 84% of respondents cite TIF as an important public policy component needed for a mixed-use development to have financial success.

McIntosh et al. (2015) look at TIF in both the Australian and transit infrastructure context, through a case study on a light rail line in Perth. They argue that TIF can generate significantly more funds for Transit Oriented Development projects than previously believed possible as well as ensuring that real estate buildout occurs beyond the planning phase.

The literature direction on TIF mixed-use however is only slightly tempered by Eagon (2017), who writing from a legal perspective on TIF in Wisconsin notes that mixed-use is one of three categories where TIF may be used in the state, and only one of two where there is no requirement for blight. He accordingly argues that the expansion of TIF to a mixed-use category, while allowing suburban and rural jurisdictions to more readily utilize TIF, has also impeded the ability of urban areas to have a relative advantage in addressing blight.

2.8.7. Overview

The applied literature is quite varied in terms of evaluating TIF’s merits, as well as the lenses through which these merits are evaluated. Thus TIF proponents have academic cover through which to make their pitches, and governments, with something of a confirmation bias inclination to believe that their economic development financial assistance efforts work, have sufficient grounds to justify TIF investment decisions. At the same time, opponents have ample reason to mobilize against TIF in their communities, especially where but-for arguments are spurious and schools bear the burden of overlaying capture.

However, some generalized conclusions can be drawn from the literature and many elements of these outcomes provide support for the above outlined theory. First, TIF most positively influences commercial and mixed commercial/residential use property values. Second, TIF does not typically meet a but-for standard where economic development and fiscal growth are concerned. Third, TIF is often used as a means of competing with neighboring jurisdictions and thus may reallocate economic activity within a region more than create new growth. Fourth, specifics of the TIF statute influence proliferation and project structure, and overlaying capture is a strong incentive. Fifth, mixed-use TIF projects can make for more vibrant neighborhoods more quickly, even if there is not a net economic gain within the new jurisdiction. Sixth, and finally, TIF is typically just one of many variables present in a particular project – often TIF will accompany other local economic development financial incentives.

2.9. GOVERNMENT SUBSIDIZATION OF PROFESSIONAL SPORTS VENUES

In the postwar era, North American professional stadia have transitioned from largely private enterprises to PPP infrastructure projects with a heavy role for public authorities (Coates, 2007; Coates and Humphreys, 2000; Long, 2013; Baade and Matheson, 2011). Coates and Humphreys (2000) note a trend of sharply expanding public ownership of stadiums between 1950 and 1990. Likewise, Long (2013) shows that the public share of facility capital costs rose significantly in the postwar period before a decline between 1980 and 2000, followed by a stagnation thereafter. The 2017 update of Long's "Public Capital Costs" by league found average shares of 58% and $324 million per stadium for MLB, 49% and $339 million for the NFL, 46% and $193 million for the NBA, 40% and $164 million for the NHL, and 36% and $142 million for MLS. These 2017 capital costs show that despite lessened or stagnating cost shares, more

elaborate facilities have seen the dollar values of those public shares rising beyond inflation.[2] In addition to direct facility capital costs, these stadium PPPs often involve infrastructure costs, forgone property taxes, and significant ongoing operating subsidies flowing from public to private partners through lease agreements (Long, 2013; Zimbalist and Long, 2006).

2.9.1. How Are Stadiums and Arenas Subsidized?

Beyond the TIF that is the focus of this dissertation, there are a wide range of tax revenue sources that are used for stadium finance. These sources include taxes on retail sales at the city, county, and state levels, lodging and car rentals (so-called "tourist" taxes), alcohol, tobacco, fuel, gaming (excise taxes), income ("jock" taxes), admissions, parking, food and beverage, and utilities. Public contributions also come in the form of direct grants, general fund contributions, subsidized loans, property sales and land transfers, income and sales tax rebates, capital fund allocations, infrastructure improvements, utility and transit allocations, and operating subsidies (sometimes disguised as management fees).

Although the US federal government does not participate in direct stadium subsidies, sub-federal governments are able to manipulate stadium deals to see that bonds are exempt from federal taxation. While the Tax Reform Act of 1986 attempted to thwart tax exemptions for stadium bonds through preventing more than 10% of debt service being secured by direct or indirectly used private business property, this merely led to local and state governments issuing bonds unrelated to stadium revenues (Gayer et al., 2016). In turn, sales, property, income, gaming, excise, and tourist taxes have become the sources of choice to take advantage of

[2] The MLS per stadium averages are misleading because they include clubs playing in NFL or MLB stadiums with significantly higher capital costs than soccer specific stadiums.

federally subsidized bonds, and by inadvertent design, these revenue streams can have little relation to the project they are funding (2016).

2.9.2. Why Do Governments Subsidize Venues?

Economic Development

The first of several basic and overlapping explanations as to why governments provide financial subsidies to professional sports venues is that governments may believe that the arena and the club that plays in it are worthwhile infrastructure and local economic development investments, despite not being economic public goods. To this Keynesian inspired end, project proponents will most commonly tout economic impact studies that show the venue and certain associated events (such as a league championship or all-star game) generating hundreds of millions of dollars in economic activity. These studies most typically multiply the number of expected visitors and the anticipated spending per visitor, with a multiplier (generally around 2 times) to simulate the pass-through effect of visitor generated activity (Baade and Matheson, 2011).

While these impact reports may seem facially impressive, a well-developed literature on stadium economics has three common critical headings (2011). The first of these flaws is substitution – impact studies implicitly assume that absent the new stadium or the presence of the club, the projected spending would not occur (Coates and Humphreys, 2000; Baade and Matheson, 2011). Likewise, moving a facility to a new location within a city or metro area only substitutes or redistributes activity in one geographical area for activity in another (Coates and Humphreys, 2008; Rosentraub, 1997).

Similar to substitution, a second criticism is displacement. Here sports visitors crowd-out prospective visitors to a city or neighborhood that are deterred by the excess activity or congestion perceived as accompanying major sporting events (Baade and Matheson, 2011). The crowd-out effect is most commonly associated with mega-events such as the Olympics or World Cup, but can apply to prospective visitors to a downtown restaurant or cultural event being dissuaded by game day crowds – as with substitution, the competition for entertainment dollars extends beyond sports. Finally, impact studies are also criticised on flawed multiplier assumptions. Namely, salaries paid to players and owner profits are not likely to circulate through a local economy, preventing assumed multipliers from materializing (2011).

These three primary critiques of economic impact studies are accompanied by a host of works more broadly detailing the lacklustre returns on stadium investments (including Baade, 1996; Baade and Sanderson, 1997; Coates and Humphreys, 1999; 2003; 2008; Fort, 2006; Humphreys, 2019; Noll and Zimbalist, 1997; Quirk and Fort, 1997; Rosentraub, 1997; Siegfried and Zimbalist, 2000; Swindell and Rosentraub, 1998). Some examine more specific elements of stadium investment returns. For instance, professional sports have been found to have no impact on regional or urban personal incomes (Baade, 1996; Baade and Dye, 1990; Coates and Humphreys, 1999; 2002; Gius and Johnson, 2001), retail and service sector incomes (Coates and Humphreys, 2003), or the broader urban and regional economy (Lertwachara and Cochran, 2007). Similarly, facility projects have minor or negative impacts on regional employment (Baade and Sanderson, 1997; Hudson, 1999), and no noticeable effect on construction employment (Miller, 2002).

Other works have focused on mega-events, which are often a substantial component of the impetus for stadium construction. Here too the literature is bearish on the impact of these

events, with the Super Bowl showing no or minor growth in taxable sales (Coates, 2007; Porter, 1999) or personal incomes (Coates and Humphreys, 2002; Baade et al., 2008; Coates and Humphreys, 2008). While some employment gains were associated with the Atlanta Olympics (Hotchkiss et al., 2003) and some redistributed economic growth with the Sydney Olympics (Madden, 2006), others found crowding out (Leeds, 2008) and flat hotel occupancy rates (Porter and Fletcher, 2008) accompanying Salt Lake 2002, and no economic gains derived from the Olympics more generally (Zimbalist, 2015). The reality of the World Cup similarly fails to meet overly rosy projections (Szymanski, 2002), with few or no significant economic gains being found (Peeters et al., 2014; Zimbalist, 2015).

Local Area Development and Renewal

While the literature is clear that stadiums do not positively impact conventional measures of economic growth in a city or metro area, a more plausible alternative is that a stadium project can redirect activity from one geographic area to another. Local and state governments might decide that having a stadium or arena in a particular neighborhood or central business district has more utility than an existing or alternative facility in another locale (for example, a decentralized area near several freeways). This geographical redirection argument has both an economic and a social component. With the former, some scholars argue that a centrally located stadium has economic advantages relative to alternatives, such as income gains where two stadiums are present in a central business district (Nelson, 2001), or that urban facilities induce longer and higher spending visits (Santo, 2005). There is also evidence of proximity to facilities being associated with higher residential real estate values (Ahlfeldt and Maennig, 2010; Feng and Humphreys, 2012) or rents (Carlino and Coulson, 2004), supported by case studies quantifying

significant land value gains within three kilometers of an arena (Ahlfeldt and Maennig, 2007) or near a suburban NFL stadium (Tu, 2005).

Others, namely Rosentraub (2009; 2014), see a facility as an effectively once in a region amenity opportunity best used as an anchor for mixed-use neighborhood development or revitalization. Rosentraub argues that while sports are an insignificant influence on a regional economy, sports are rare in their ability to drive traffic to a geographic location, and if accompanied by enforceable commitments to ancillary real estate development, a venue centering a viable entertainment district can be a worthy public investment (Austrian and Rosentraub, 2002; Baade, 1996, p. 37; Rosentraub, 2009).

Thus despite a venue perhaps failing to create any net economic gains in a region, some local governments might be swayed by the social utility of a revitalized downtown or inner city neighborhood. Indeed, since 1990 a strong majority of professional sports facilities have either been replaced or extensively renovated with these urban redevelopment objectives in mind, leaving a large and living sample of results. Robertson (1995) outlines a three-prong test to evaluate urban redevelopment projects, focused on reuse of existing spaces and buildings, new construction related to the facility, and new activity related to the facility (Corwin, 2011).

Without detailing every project, success meeting these standards can be found in San Diego, Cleveland, Indianapolis, Los Angeles, Pittsburgh, Dallas, Toronto, and Columbus (Corwin, 2011; Rosentraub, 2009; Sroka, 2017), even if there can be substantial outstanding questions regarding economic opportunity cost and causality or but-for. These opportunity cost, causality, and but-for questions are especially focused where urban facilities have been only somewhat or not successful in seeing ancillary construction and activity (including Denver's arena, Chicago, Atlanta, and Phoenix). While some of these sites have eventually seen some

ancillary development and activity, there are many urban facilities surrounded by surface parking and devoid of life outside of event times.

Competition

Thus we return to the issue of what makes sports and sports facility investment "special" in order to further refine why governments choose to invest. Building off Rosentraub's (2009) argument that a sports team and the facility it plays in represent once in a metro area opportunity, each of the stadium, the club, and an appealing mixed-use entertainment district within which stadiums and clubs are found, can be viewed as a means to compete with alternative locations for firms and workers through providing a combination of relatively rare amenities, sometimes complemented by a desirable packaging of more common amenities (such as performing arts venues, theaters, restaurants, shopping). This competition is both between metro areas for the scarce opportunity to host a club because of league monopolies (Ross, 1988), and between jurisdictions within the same metro area to direct what impact the facility and club have to their particular corner of the region.

Effectively, these explanations are extensions of the previously detailed Tiebout (1956) competition between local governments and regions. For talented workers evaluating competing places to live and firms evaluating places to locate with the desires of talented workers in mind, the opportunity to access a professional sports team may help influence decisions. Alternatively, even if there is more research needed to show a positive association between location decisions and sports teams, local politicians or talent-seeking corporations may be susceptible to this line of argument (Delaney and Eckstein, 2006; 2007).

Indeed, local growth coalitions fronted by major local corporations and supported by primary local media sources, have been noted as influential in pushing politicians towards funding facility projects (Delaney and Eckstein, 2006; 2007). In addition to selling the stadium as a magnet for talent and urban redevelopment, these coalitions will frame a bleak alternative if a stadium deal is not reached and the team leaves (Cleveland will become Dayton), and spend heavily if the matter is placed on a referendum ballot (2006; 2007). Again, this alternative is made real by the scarcity of major league teams, and a history of teams that have moved to resolve unsatisfactory stadium situations. Although some economists liken the employment impact of a stadium to a large department store (Bergman, 2015), the departure of a beloved major league team is far more noticeable than the shuttering of another Macy's.

Building upon the previously discussed regime theory literature, Delaney and Eckstein (2007) argue that these growth coalitions go beyond traditional models of owner relocation threats extracting corporate welfare. Instead, these elite coalitions are deeply embedded into the local political culture and this element makes their efforts more effective. Evidence from Buist and Mason (2010) on newspaper framing and referendum results in Cleveland provide further support to the media advocacy element. For Delaney and Eckstein (2006; 2007), the success or failure in getting a stadium deal done is in many respects a function of the strength, weakness, or absence of a local growth coalition, an argument supported by the work of Paul and Brown (2001) overviewing elite influence on stadium referendums. Although this local growth coalition explanation is in many ways convincing, the Minneapolis area, which was cited as an instance where a weaker growth coalition was not able to attain stadium objectives, has since seen three new stadiums constructed, leaving a need for updated analysis.

While local growth coalitions may believe their prospective talent pool seeks the amenity of major league teams in modern stadiums, Florida's previously discussed "Creative Class" theory has already provided at least something of an alternative. Likewise, good public schools can be seen as important in retaining talent and allowing young families to justify remaining in trendy urban neighborhoods. The key point is perhaps that this bundle of goods can be replicated in many places and sports is an element to add to this bundle with a higher replacement value. Thus while a stadium in an urban desert alone might not exceed (and likely fail to match) more typically cited "Creative Class" type amenities that a talented and mobile workforce craves (e.g., a collection of character houses and condos walkable to coffee shops, restaurants, bars, and upscale grocery stores), a well-integrated venue project brings upside that most competing creative-targeted bundles cannot match.

If the implied "secret sauce" of Rosentraub-derivative arguments in favor of stadium PPPs is to properly design and phase mixed-use real estate development centered on the stadium anchor, the extension is whether the profitable end outcome can be replicated with alternative subsidies more efficiently (and cheaply)? And if so, what is the marginal value of a stadium subsidy investment relative to subsidizing these sorts of districts absent a stadium? The issue becomes whether a stadium is that much more of a useful or influential amenity than prospectively less expensive amenities? These alternatives include the historic or waterfront districts core cities commonly use as redevelopment tactics intended to be harder for suburbs to replicate (Robertson, 1995), or even investments to subsidize grocery stores, lifestyle centers, or covering freeways dividing downtown neighborhoods.

Beyond the metro vs. metro cage match framed by local growth coalitions, much of the competition for clubs is induced within the same region, typically with a core city angling with

one or more of its suburbs for the right host a team. Again while this competition is not bringing much or any net growth surplus to the region (the argument for some surplus is again that a facility can be more valuable – economically or less tangibly – in one locale than another), some local governments believe that subsidizing a stadium within their boundaries is worth the cost. When there are multiple local governments in the same region reaching the same conclusion, a bidding war can ensue, leading to the eventual "winner" paying far more in subsidies than they would have absent the competition. This sort of deleterious competition has been documented in Dallas-Fort Worth by Nunn and Rosentraub (1997), with history repeating itself 10 and 20 years later in new stadiums for the Cowboys and Rangers, respectively. Similar competitions followed by generous subsidies to replace facilities less than 25 years old have also been recently seen in Atlanta.

While lower subsidies in a single-bidder scenario prompt the thought that teams would simply threaten relocation in the absence of a sufficient offer, the barriers to relocation are higher. Leagues generally have internal regulations requiring relocations to be approved by super-majorities of owners, and relocation from a particular market to an alternative might not necessarily align with the interests of enough owners for approval. If relocation is seriously pursued, but fails, the club may lose what local support it had for a stadium deal, reducing the political risks associated with losing the team and the sense of urgency to getting a deal done.

Politics and Public Choice

Much of this competition discussion inherently overlaps with political considerations and is well-suited to analysis through a public choice lens. Yet if politicians are seen as acting within their own economic and electoral self-interests, the frequent unpopularity of subsidizing

billionaires to retain or attract teams of millionaires would seem counterintuitive to advocating such subsidies in the pursuit of vote maximization. The previous discussion on local growth coalitions provides some explanation, but stadium opposition can prove just as electorally valuable as facility boosting – for instance, the most well-known local arena subsidy opponent was elected mayor in Dallas following significant subsidies being granted to a downtown arena (Sroka, 2017). More recently in 2017, a center-left mayor in right-leaning Calgary, rode opposition to more significant arena subsidies to a strong re-election margin over an opponent openly supported by the Calgary Flames ownership. At the same time, politicians can receive substantial flak when the team leaves for a competing suburb. Atlanta Mayor Kasim Reed has drawn fire from anti-subsidy voters for generously subsidizing the transformation of the Georgia Dome parking lot into a new Falcons stadium and the Georgia Dome into a parking lot, as well as corporate and urban development boosters for losing the Braves to suburban Cobb County.

One explanation may lay in following the money. Literature has found that campaign contributions at the federal level can significantly affect congressional voting (Adamany, 1977; Austen-Smith, 1987; Poole and Rosenthal, 1997) and can likewise influence local government outcomes (Bardhan and Mookherjee, 2000). An alternative to a direct rent-seeking relationship through contributions being associated with approved stadium deals would be for unclear political incentives to lead prominent local politicians toward kicking the can to ballot measures and letting "the people" decide. Regardless of whether state law requires a referendum for stadium deals, a referendum becomes political cover in a high profile lose-lose situation – oppose the project and make enemies in the corporate community and with fans for whom the issue is highly salient, or back the project and lose a measure of popular support. If the least bad electoral cost-benefit of taking a position in this scenario is difficult to calculate, then effectively

the position of the "public decides" lets both sides train fire on one another instead of politicians that happen to become spokespersons for a particular side. This passive triangulation also leaves incumbents less exposed to prospective challengers gaining traction by vocally taking contrasting positions to playing to whatever constituency the politician offended.

While no referendum is preferable for facility proponents unless if local politicians are hostile, a referendum void of high-profile opposition figureheads is better than a referendum (or initiative) contested against a moderately popular mayor (Paul and Brown, 2006). In most referendum campaigns, proponent groups will have significant multiples more than opposition to spend on shaping public opinion (Brown and Paul, 2002), although the efficacy of a spending advantage is questionable (Paul and Brown, 2006). Referendums can also be targeted at the specific population that polling shows most amenable to passage (city, county, multi-county) and are a form of agenda control that frames spending options in "all or nothing" terms most favorable to proponents (Fort, 1998). For instance, voters more proximate to the proposed project may be more likely to support the ballot question (Coates and Humphreys, 2006), which may point towards keeping referendums local. However Horn et al. (2015) add wrinkles both near and far in that the voters least likely to support a project in a statewide referendum were those in areas physically closest and furthest away, while support was strongest with those who would have "easy access" and in counties closest to the stadium. Similar findings with regard to neighborhood proximity in the Munich context have been presented by Ahlfeldt and Maennig (2012).

Desperation and Aspiration

Another previously touched upon explanation for political support of stadium subsidies might come from desperation impacting cost-benefit decisions of key actors. Sports represent a highly visible representation of a city on a national stage. The loss of this status, amplified by efforts of local growth coalitions, places pressure on politicians to not have their legacy be losing a sports team. Delaney and Eckstein (2006; 2007) note that local growth coalitions have been more successful in places where economic declines have been seen (Cleveland, Cincinnati, and Pittsburgh), a notion supported by Euchner's (1994) analysis of why cities fight to keep sports teams. The inverse aspect of desperation also applies in that cities without major league teams strive to attain or reclaim status, or at least parity with cities they see as their peers. In attempting to gain status, these striving cities may be willing to offer more than others. In Oklahoma City and Memphis for example, basketball arenas to house relocated franchises were completely paid for by public funds (Long, 2013). Much the same can perhaps be seen with the exceedingly generous subsidies provided by Las Vegas to the Raiders.

Long's (2013) data set seems to confirm notions in the literature that seemingly less attractive markets (likely summarized as metro areas with populations that are some combination of smaller, less prosperous, older, and less interested in the sport) pay more in subsidies. For some similar demographic reasons, certain cities may struggle economically in general, or have trouble attracting amenities that would in turn attract more demographically valuable residents. These more desperate cities know their value to a club owner and league is weaker, and may perceive the team retention stakes involved in as being higher than in larger markets with more entertainment options. Large markets are provided further relative bargaining power through the potential loss for the owner, and the league which would approve any move, of a market with

more financial upside than smaller relocation candidates, although leagues may prefer to capture the gains through expansion fees as opposed to relocation. As leagues have implemented various forms of revenue sharing, lessening league gross revenues hits every team's bottom line, making supermajority approval for relocations where such outcomes are perceived as likely to ensue questionable.[3]

In both instances then, politicians will bear the short term consequences of their decisions to probably overpay relative to the average or median facility subsidy for a sport to compensate for the perceived inadequacies of their market, and likely will not be in office to see deals underperform in the longer run. Thus the incentive for elected officials may lean toward the short term, where the decisions are effectively framed as team vs. no team. If the price of "team" is still too high, then the next best alternative is to minimize blame for "no team" outcomes (likely via ballot measure).

Intangible Value

This discussion leads us directly to the intangible value of sports, although the intangible has been an underlying element present throughout this section. Simply, there is some sort of public value or good in having professional sports teams in a city that critical analyses of economic impacts do not fully explain, whether that value is found through happiness (Kavetsos and Szymanski, 2010; Littlejohn et al., 2015), access to an amenity, urban redevelopment, or otherwise. Contingent valuation research, whereby intangible value is measured through what a person is willing to pay for a good, indicates that willingness to pay for stadium subsidies is significant, although not equivalent to actual subsidies (Johnson and Whitehead, 2000; Owen,

[3] Despite this however, there are instances of both big cities providing big subsidies and leagues relocating from more valuable to less valuable markets.

2006; Santo, 2007). As we will see, the gap between the public's willingness to pay and cost of retention or acquisition of a team may be an important component of why TIF has entered many stadium deal equations.

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CHAPTER 3. VENUE TIF USE INVENTORY

3.1. PURPOSE

This chapter undertakes the first inventory of TIF in major league stadium and arena related projects. There are two primary components to this chapter: the TIF use inventory, and descriptive summaries for each of the venues with a strong TIF connection as found in the inventory. More broadly this chapter contributes to the existing literature through identifying venue TIF uses and inventorying a range of their characteristics, and then making observations about these uses and characteristics that form a basis for theory building. From the inventory, cities and their citizens can identify where and how TIF was used and then select where to compare the promises and inputs to the outcomes. From the broader observations, academics can pick up the torch to more easily pursue specific questions that are not otherwise addressed in this dissertation.

This chapter finds that of 125 permanent major league venues in 2018, 107 were located in jurisdictions where TIF was eligible to be used. Of these 107, 22 venues have had direct TIF contributions to capital costs, and another 17 have TIF uses with a deemed strong connection to the venue. These 39 venues account for 31% of total venues in the five major leagues, and 36% of venues where TIF could have been used at the time of construction. In 2017 dollars, $1.817 billion in TIF has been spent on the 22 venues directly using TIF, with an average per venue spend of $82.6 million. In the venues where direct TIF contributions were seen, TIF accounted

for 60.3% of public capital costs, and 24.4% of total capital costs. Direct TIF use is most common in arenas and MLS stadiums.

3.2. DATA COLLECTION AND FRAMING METHODS

For each 2018 venue in the five major leagues, I collected data on TIF contributions to direct facility capital costs as well as to projects using TIF related to facility development. Where multiple venues were used by a team in 2018, the newest facility was used. These costs were adjusted to 2017 dollars using the Consumer Price Index (CPI). Direct venue costs were conceptualized to include expenses such as land acquisition, site preparation, and infrastructure, consistent with the capital cost models of Long (2013). Direct TIF contributions were then calculated as a percentage of both total and public capital costs.

Each area surrounding a venue was also assessed for the presence of a TIF district. A TIF district is considered present if its geographical boundaries at least neighbor a block upon which a facility complex resides. Beyond the parcels upon which a stadium or arena directly reside, a venue complex includes land parcels held by public or private entities related to club or facility holding parties. For instance, parcels occupied by parking lots owned or leased on a long-term basis by a club, a stadium-related authority, or a municipality (in connection to a stadium construction agreement) are considered part of a facility complex. At the same time, parking lots held by private parties unrelated to club or venue owners, or municipal parking structures with no clear relation to the venue, are not included in the facility complex definition.

Where a TIF district is deemed present, the strength of the district's connection to the venue is further evaluated as either "strong" or "not strong." A strong connection includes those that were established by governments with the intention to primarily stimulate, subsidize, or

capture real estate growth in the immediate proximity of the facility. The TIF district need not fund the venue directly (through bond repayment contributions or otherwise. Instead, the intention is assessed through the role of the facility in government documents (such as TIF plans, reports, contracts, council proceedings, and memos), media coverage, and a review of the TIF geography and land use. The key guiding question for this connection test is: but-for the venue, would the scope and intent of the TIF district be substantially different? Generally the sub-categories fitting this definition are: direct subsidy of a new or renovated venue, infrastructure, ancillary real estate, and immediate legacy venue redevelopment.

Even TIF district sites some geographic distance from a venue can garner a "strong" connection through what happens with a direct legacy venue. A direct legacy venue means the facility previously hosting a team within the same jurisdiction – a city for a municipally subsidized venue, or a county for a county subsidized one. A good illustration of this phenomena is found in Memphis. While there is otherwise no TIF district with a strong connection to the FedEx Forum in Memphis, the previous Memphis Pyramid arena across downtown has been redeveloped into a Bass Pro Shop with a significant TIF contribution. Accordingly, through creating the impetus to redevelop the Memphis Pyramid that would not have otherwise existed, this TIF use meets the threshold for the FedEx Forum to have a strong connection.

Conversely, an example of both a "not strong" connection and an instance where designation could change from "not strong" to "strong" is found in Orlando, with the Amway Center. While the arena is within a TIF district, this district encompasses most of downtown Orlando, and would exist without the arena's presence. Further, the arena was not a listed goal of the TIF area's creation (the TIF district has been around since 1982) and instances of increment paying for arena related improvements or infrastructure have not been identified.

Although the City of Orlando has expressed some interest in future participation the in Magic's mixed-use development across the street from the Amway Center, TIF funding has not materialized. Likewise, the City may choose to provide a TIF subsidy to the University of Central Florida's Creative Village mixed-use project on the site of the demolished Amway Arena (approximately 600 meters from the Amway Center), but at the time of writing this has not been confirmed. If TIF funding was provided to either project, this would be a sufficient condition for changing the categorization to "strong." While with the project adjacent to the current Amway Center the cause for re-designation is obvious, the redevelopment of the former arena site is deemed to have a legacy connection to the new facility. Simply conceived, but-for the new venue, the old (23 years old at the time of demolition) arena would likely not have been demolished and redeveloped.

Beyond TIF strength, venues were coded on three further real estate development related variables: whether the venue was intended to spur ancillary development, whether the original development plan included major concurrent development on the blocks consisting of the venue or immediately adjacent, and whether master-planned or block sized development on adjacent blocks later developed. As with TIF district strength, each of these variables is coded on a binary basis. The purpose of these three variables is to at a very basic level see if there is overlap between TIF use and various development intentions and outcomes.

For the first variable, I examine media and government sources to derive intent from key actors at the time a venue deal was made. The threshold here is relatively low – there do not have to be concrete development plans at the time of the deal. Rather, a broadly stated intent from key public and private actors for the facility to generate development is all that is required. Key public actors include municipal council members, county commissioners, mayors, city managers,

governors, state legislature leadership, and key local state and federal Congressional representatives. This designation also applies to equivalent positions in Canada. On the private side, these key actors include team owners and business managers, real estate developers associated with the team, and vocal members of the so-called local growth coalition (as espoused by Delaney and Eckstein, 2006). As noted, these growth coalitions typically encompass media decision makers (editors, publishers), executives of large local businesses, and large local landholders.

With the original development plan and the issue of whether that plan included block-sized construction adjacent to the venue, this variable is measured through media reporting, accounts from developer groups, and government documents. These documents are either contemporaneous to the time of the deal (prior to construction), or are from a later date and demonstrate that at the time of the venue deal, there was substantial development planned that had not been made public.

Importantly, the ancillary development itself does not have to be constructed at the same time of the venue – rather it is the time of the planning that matters. For example, while the plans for what became Patriot Place were not public knowledge at the time Gillette Stadium opened, later accounts from the Kraft family show that the development was part of the vision at the time of the initial facility development (Abelson, 2007).

Likewise, these plans do not necessarily have to have been realized. Prior to the Great Recession, the ownership of the Philadelphia Union had comprehensive retail and residential development plans for the waterfront brownfields surrounding Talen Energy Stadium in Chester (DeGeorge, 2018). However these plans were downsized and little has happened besides an office complex at one end of the planned development area. Still, because there were clearly

documented development plans at the time the stadium deal was made, Talen Energy Stadium is classified in the affirmative.

Conversely, there are many facilities where the "build and hope development follows" strategy was embarked upon, and there are instances these aspirations have been made real even if there are significant time lapses between facility and ancillary construction. Here there need not be a direct relation between the club or facility and the resulting development. Instead, it is the scale – as described below – that matters.

For instance, with the Google Village primed to take over surface parking and neighborhood around San Jose's SAP Center, the potential for rail and transit connections are likely the primary development driver and Google is not related to the club (Avalos, 2018). Indeed, the San Jose Sharks are actively opposing plans that threaten the arena's surface parking (Donato-Weinstein, 2016). Still, the planned development of all available land around the arena is deemed sufficient for this categorization.

As for the scale of development, the minimum threshold is a substantial use beyond the club or event traffic. In locales such as Charlotte and Oklahoma City, this has been a mid-sized chain hotel integrated into the arena block. Office space, residential, or retail developments also qualify. However substantial does include office space primarily used by the sports club (such as that in Pittsburgh's PNC Park) or retail limited to storefronts in parking garages (as with Marlins Park in Miami). From significant construction within the venue block such as a hotel or office tower, the scale can range up to multi-block neighborhood development such as that seen with San Diego's Petco Park or Edmonton's Rogers Place.

Venue locations were also coded in one of four ways. The first category represents facilities located in downtown or downtown-adjacent areas in historic core cities. Downtown-

adjacent means a neighborhood with a strong connection to the central business district (CBD), but separated by a physical barrier (such as a river, rail yard, or freeway) or with a distinctive land use pattern from the CBD. As a rule of thumb, these adjacent areas will be walkable from CBDs. A historic core city has a history of urbanization and urban land uses going back through the pre-World War 2 period. While there may be more than one historic core city a metropolitan area (such as Minneapolis and St. Paul, Dallas and Fort Worth, or New York and Newark), most metro-areas will have only one. A historic core city does not include suburban downtowns, or old suburbs that have urbanized in the post-war period (such as Anaheim).

The second heading includes venues within the borders of a historic core city, but outside a CBD or adjacent area. This category includes the major league ballparks in New York and Chicago, and Mapfre Stadium in Columbus. These venues are integrated into existing mature neighborhoods outside of CBDs. While there may be plenty of low density parcels surrounding the facility (as with Citi Field in Queens or new Comiskey Park in Chicago), the venue area is well within the bounds of the core city. These stadiums can be differentiated from the third category, sports complexes within core cities such as those found in Philadelphia, Oakland, and Kansas City. Although complexes combining more than one facility may appear suburban in form, land use, and transportation patterns, they remain within the taxing boundaries of core municipalities.

Finally, there are suburban venues. These can be in low density locations such as the sports complexes, or suburban downtown areas. The key unifier is that these facilities are outside the jurisdiction of core cities. While this category is broad, the previously discussed coding of development intent and outcome is intended to differentiate between low-density sports facilities and those intended to anchor higher density suburban developments.

3.3. LEAGUE LEVEL INVENTORY AND SUMMARIES

3.3.1. Major League Baseball (MLB)

Of 30 MLB parks, 27 are in jurisdictions that would have allowed for TIF to be used for direct stadium costs at the time of construction or substantial renovation (Minneapolis, Phoenix, and Toronto were not). However there are only three that have used direct TIF contributions to the public share of capital costs: Detroit, San Diego, and San Francisco. These ballparks respectively opened in 2000, 2004, and 2000. While TIF had a central role in San Diego, the other two instances saw TIF contributions not exceed 10% of the total capital cost. From this vantage point, TIF has not been a significant contributor to MLB stadium financing and where it has been used, it was in the early 2000s with nothing to indicate this being a growing trend in recent years.

However TIF has been a stronger presence in development efforts near or related to ballparks. Of 19 ballparks that were designated as having been intended to spur development, 12 have an ancillary TIF presence, with eight classified as "strong." Of these 19, eight are found to have had significant original development plans, while nine have seen such plans emerge after the deal making stage.

With the eight venues deemed to have a strong ancillary TIF connection, all were also found to have been intended to spur development with half being accompanied by immediate development plans. Two more stadiums have seen major development plans emerge in later years. Of these eight stadiums, seven are located in downtown or downtown adjacent areas. In terms of ancillary real estate construction, the strongest results have been seen in San Diego, San

Francisco, and Washington – each of the areas surrounding these ballparks has been transformed from low density brownfields to vibrant urbanist neighborhoods in the years following stadium construction. In the remaining cases however, the results have been mixed. Strong TIF connection baseball stadiums are overviewed below.

Table 1.
MLB Stadium TIF Use

City	Stadium	Year	New/Reno.	Direct (D) or Strong (S)	Bonds	Property (P), Sales (S) Taxes
Arlington	Globe Life Park	1994	New	S	Y	P
Cincinnati	Great American Ballpark	2003	New	S	Y	P
Detroit	Comerica Park	2000	New	D	Y	P
Miami	Marlins Park	2012	New	S	Y	P
San Diego	Petco Park	2004	New	D	Y	P
San Francisco	AT&T Park	2000	New	D	Y	P
St. Louis	Busch Stadium	2006	New	S	Y	P, S
Washington	Nationals Park	2008	New	S	Y	P, S

Table 2.
MLB Stadium TIF and Development Use

City	Stadium	Ancillary TIF	Strong TIF Connection	Intent to Spur Dev.	Master Planned Original Intent	Master Planned or Block Sized Dev. Later	Location	Pop. (2018) ('000)
Anaheim	Angel Stadium	Y	N	N	Y	-	3	352
Arlington, TX	Globe Life Park	Y	Y	Y	Y	-	4	398
Baltimore	Camden Yards	N	N	N	Y	-	1	611
Boston	Fenway Park	N	N	Y	N	N	2	694
Chicago	Wrigley Field	N	N	Y	Y	-	2	2,705
Chicago	Guaranteed Rate Field	N	N	N	N	N	2	2,705

Cincinnati	Great American Ballpark	Y	Y	Y	Y	-	1	302
Cleveland	Progressive Field	N	N	Y	N	N	1	385
Cumberland, GA	SunTrust Park	N	N	Y	Y	-	4	103
Denver	Coors Field	Y	N	Y	Y	-	1	704
Detroit	Comerica Park	Y	Y	Y	N	N	1	672
Houston	Minute Maid Park	Y	N	Y	N	N	1	2,325
Kansas City	Kauffman Stadium	N	N	N	N	N	3	491
Los Angeles	Dodger Stadium	N	N	Y	N	N	2	3,990
Miami	Marlins Park	Y	Y	Y	N	N	2	470
Milwaukee	Miller Park	Y	N	Y	N	N	2	594
Minneapolis	Target Field	N	N	Y	Y	-	1	425
New York	Citi Field	N	N	N	N	Y	2	8,398
New York	Yankee Stadium	N	N	N	N	N	2	8,398
Oakland	Oakland-Alameda Coliseum	Y	N	N	N	N	3	429
Phoenix	Chase Field	N	N	Y	N	Y	1	1,660
Philadelphia	Citizens Bank Park	N	N	N	N	Y	3	1,584
Pittsburgh	PNC Park	N	N	Y	N	Y	1	302
San Diego	Petco Park	Y	Y	Y	Y	-	1	1,425
San Francisco	AT&T Park	Y	Y	Y	N	Y	1	883
Seattle	T-Mobile Park	N	N	Y	N	N	1	744
St. Louis	Busch Stadium	Y	Y	Y	Y	-	1	303
St. Petersburg, FL	Tropicana Field	N	N	N	N	N	3	265
Toronto	Rogers Centre	N	N	Y	N	Y	1	2,930
Washington	Nationals Park	Y	Y	Y	Y	-	1	702

Cincinnati – Great American Ballpark

Although a mixed-use masterplan for the 120 acre area along the Ohio River between Great American Ballpark and Paul Brown Stadium emerged alongside the stadium in the early 2000s (Urban Design Associates, 2000), and a master development agreement was signed in 2007, the first construction was not completed until 2011. $29 million in TIF backed bonds have been approved for The Banks, with 86% spent as of 2017 (The Banks, n.d.). $11 million in TIF (Cincinnati Bell Connector, n.d.), in part from The Banks, has also been used to contribute to a streetcar line linking the stadium neighborhood to downtown and other redeveloping areas to the north.

The majority of blocks in the area have been filled in, although three unfinished and undeveloped blocks still remain closer to Paul Brown Stadium (LeMaster, 2013). The development includes multiple apartment buildings over ground level retail, a hotel, a museum, and an office building occupied by General Electric (Monk, 2018). All lots to the eastern half of the development, where the ballpark neighbors an arena, have been infilled.

Alongside the two overwhelmingly publicly funded stadiums, a major $92 million investment was made in a 45 acre riverfront park (Cincinnati Parks, n.d.), pushing the total public investment in the area into the range of $1 billion, with the masterplan calling for $600 million to $800 million in private investment (The Banks, n.d.). While the result 15 years after the completion of the second stadium is nearing closer to a desirable mixed-use waterfront district, The Banks is another instance where the question should be asked whether similar results could have been attained without massive public stadium investments that have had significant fiscal burdens (see Albergotti and McWhirter, 2011)? With specific regard to TIF, it appears that it may have been useful in closing feasibility gaps for particular projects, but the

redevelopment results do not seem any more impressive than those seen north of downtown in TIF areas (namely the Over-The-Rhine neighborhoods) absent major anchors.

Detroit – Comerica Park

Comerica Park received $40 million in direct TIF construction funding from the Detroit Downtown Development Authority (DDDA) (Crain's Detroit Business, 2014). The DDDA is a TIF district encompassing almost all of downtown Detroit in addition to a portion of the midtown neighborhood. Representing a significant portion of Detroit's total property tax base, the DDDA made significant direct contributions to both Comerica Park and neighboring Ford Field. However not much in development terms happened around the ballpark until more recent years and is substantially related to the discussion in this dissertation's Detroit case study.

Miami – Marlins Park

Marlins Park on the former Orange Bowl site in Little Havana received no direct TIF funding and there is no strong ancillary TIF connection in the ballpark vicinity. However TIF played a significant role in the ballpark deal through freeing up other taxes to directly support the stadium. Funding for Marlins Park and accompanying parking garages were two of seven projects contemplated by a complex 2007 revenue agreement between the City, County, and two redevelopment agencies (with TIF powers). This agreement had the effect of extending a downtown TIF zone to replace revenues from tourist and convention taxes. These released taxes formed the backing for $98 million in city and county bonds for the stadium, and $50 million in parking structures (City of Miami et al., 2007).

While the ballpark was intended to spur redevelopment, the surrounding blocks in Little Havana has seen little construction. The City parking garages were designed with street facing retail at ground level, but businesses have struggled outside of event times and spaces sit vacant or occupied by public offices (O'Donnell, 2016). However for a TIF study, Marlins Park is another instance where TIF has operated to flexibly divert funds between projects with contributions from multiple levels of government.

San Diego – Petco Park

San Diego is the most significant and most complicated direct and indirect use of TIF in MLB stadiums. Petco Park was funded by two distinct sources of TIF – one formal and one informal – and the relative shares of these sources have oscillated over the years. The original Memorandum of Understanding (MOU) based upon the 1998 stadium referendum saw the City's Redevelopment Agency – through the Center City Development Corporation (CCDC) – commit $50 million of funding through incremental property taxes in the 24 block ancillary development area the same document created and obliged the Padres to find partners to develop (City of San Diego, 1998). In California prior to 2013, Redevelopment Agencies were effectively TIF agencies.

The Ballpark Cooperation Agreement that formalized the Redevelopment Agency's participation in 2000, was amended in 2001 to increase the CCDC's contributions to $95 million, with the City of San Diego issuing bonds to cover $206 million (City of San Diego, 2009). While backed by the general fund, the City bonds were intended to be paid off through incremental tourist occupancy taxes created through the hotel rooms the Padres were to construct under the MOU. After a 2007 refinancing of the City bonds, annual payments were pegged at $11.3

million (2009). However the City experienced a significant loss of revenues in 2008 alongside the Great Recession. Combined with better than expected incremental property tax revenues and slightly weaker hotel tax returns in the ballpark area, the CCDC agreed in 2009 to a second amendment to the Ballpark Cooperation Agreement which would see the CCDC cover these $11.3 million payments through 2013 (2009).

This structural alteration was seemingly made permanent with a third amendment to the Agreement in 2011, which saw an extension of CCDC payments through 2032 (City of San Diego, 2011). Under this plan, TIF would have become the largest single source of funding for Petco Park. With the state-level demise of redevelopment in 2012 however, this TIF debt repayment plan came to an abrupt halt. Thus accounting for the 2004 present value of the $11.3 million TIF payments between 2009 and 2012, the total TIF contribution to Petco was roughly $133 million or 29% of the total cost and 44% of the public cost. The number may be further adjusted by the court order (under appeal at writing) forcing the City to reimburse the last $11.3 million payment made during the winding down of the CCDC (Halverstadt, 2015).

Considering that the end of California redevelopment authorities led to the reversion of TIF revenues back to where these funds would have otherwise flowed, incremental revenue from the real estate development near Petco Park has effectively continued to pay debt service. Instead of being directed through the CCDC however, the City's share of incremental taxes has gone through the general fund to pay the outstanding bonds. While on the face of it, this might seem to have not had a bottom line impact on debt repayment, since the City of San Diego now only receives a fraction of the entirety that previously flowed to the CCDC (17.5%, according to Halverstadt, 2015), payments have returned to being a significant fiscal burden on the City.

In addition to risks of changing TIF statutes, Petco Park is a strong study in how overlaying capture of increment from other taxing authorities can make a project more feasible than it otherwise would be for a proponent municipality. At the same time, had redevelopment been left in place, San Diego would have shown that it is possible to largely pay for a modern baseball stadium with incremental revenue from ancillary development. A decade after opening, almost $1.8 billion in real estate construction has transformed the blighted area surrounding Petco Park into an attractive mixed-use neighborhood with a substantial residential component. This transformation has been held up by some academic works as one of the shining success stories of stadium related real estate development (Cantor and Rosentraub, 2012; Rosentraub, 2009; 2014). However it seems better than expected real estate construction has been severely undermined by a poorly framed initial legal framework, the falling apart of which has highlighted a deal premised on overlaying capture.

San Francisco – AT&T Park

San Francisco was rare in the most recent generation of ballparks in being almost completely privately financed. The only direct public contribution was $15 million in TIF funds from the San Francisco Redevelopment Authority (Sport Facility Reports, 2011). Much like Petco Park, AT&T Park was built in a downtown adjacent blighted area. As with San Diego, the neighborhood has filled in with a mix of uses in the years since opening. The Giants themselves are joining the development fray, breaking ground in 2020 on a 28 acre mixed-use development across McCovey Cove that has been in the works since a 2008 request for proposals from the Port of San Francisco (2019). The development approved in 2017 will include up to 1,500 residential units and 1.5 million square feet of commercial space (Dineen, 2017).

While AT&T Park may represent a successful instance of ballpark-anchored neighborhood development, the expanding economy and demand for housing and office space in San Francisco may well have led to similar outcomes at some point absent the stadium amenity. With San Francisco however, the public construction investment was probably as low as realistically possible, even if the team received considerable financial benefits through below market land grants and property tax abatements. Although TIF was a flexible instrument able to address a defined infrastructure need within the ambit of the Redevelopment Authority, the money likely could have been found elsewhere. However TIF may have been preferable for City politicians looking to avoid a visual of direct public contributions to the stadium and keep the guise of the facility being entirely privately financed.

St. Louis – Busch Stadium

Initially conceived as a two-block and $60 million project in 2002, the vision for Ballpark Village had become far more ambitious by the 2006 opening year of Busch Stadium. This version would have brought an estimated $387 million of mixed-use development (consisting of residential, retail, office, and entertainment) to 10 acres formerly hosting the previous Busch Stadium and beyond the outfield of the new ballpark (Levin, 2013). The project was accompanied by approvals for $56 million in TIF from the City of St. Louis and additional sales TIF from the state, limited to the boundaries of the undeveloped ten acre site (Altman, 2016). The approving ordinances allowed for the issue of revenue bonds secured by increment (City of St. Louis, 2009).

Despite the eventual availability of over $100 million in subsidies, the project experienced considerable delays and reconfiguration (Industrial Development Authority of The

City of St. Louis, Missouri, 2017). Finally in 2012, a two-block $100 million first phase consisting of bar and restaurant options alongside a Cardinals museum and public plaza began construction, opening in 2014. From a development agreement between the City, the Cardinals, and their developer partners, Cordish, this first phase saw the issue of $18 million in revenue bonds by the Missouri Downtown Economic Stimulus Authority (MODESA) (2017). These bonds were backed by both property and sales TIF, as well as a special 1% sales tax on Ballpark Village businesses (2017). Cordish was required to purchase the bonds and would be reimbursed with 50% of the increment collected (Missouri Development Finance Board, 2012). Cordish was also obligated to build a minimum of 100,000 square feet of retail space and $10.7 million in infrastructure, although a significant component of the infrastructure ended up being surface parking lots on the blocks to be developed in later phases (2012).

Phase two was approved in 2016, with an amended development agreement covering $261 million in construction on two blocks, including a high-rise apartment complex, Class 'A' office building, and hotel (Industrial Development Authority of The City of St. Louis, Missouri, 2017). With the sunset of MODESA as a state board in 2013, $107 million in phase two revenue bonds were issued by the St. Louis Industrial Development Authority in 2017 (2017). Revenues still encompassed those pursuant to the MODESA Act, which serves as an umbrella authorization for state and local increment on property (in this instance PILOTs), sales, and payroll taxes (2017). $18 million of this $107 million was intended to refund the 2013 bond issue, with $68 million forming the primary new available subsidies beyond the 2013 series. Of this $68 million 2017 value, $43 million is intended to be supported by TIF sources. Under the amended development agreement, the apartment building is eligible for $41 million in subsidies of a $121 million total cost and the office building for $24 million in bond proceeds from a $66

million budget (2017). With the completion of phase two, roughly half of the ten acre Ballpark Village site will be infilled.

Texas – Arlington, Globe Life Park

The City of Arlington, a low density suburb of Dallas, created a 2,100 acre TIF zone in 2006 to fund public improvements in its sports and entertainment district (Tarrant County, n.d.). At the time of TIF implementation, the district was anchored by Globe Life Park and a Six Flags amusement park, with Cowboys Stadium under construction. In more recent years, Arlington has approved a successor ballpark to be constructed on the current stadium parking lot, accompanied by a $250 million mixed use development containing commercial and hotel uses (Office of Communication, 2018).

The TIF zone is divided into a "core" and "surrounding" sub-districts (City of Arlington, 2015). The core district is home to the three stadiums and was allocated $48.8 million in public improvement funding (2015). The surrounding sub-district was approved for a further $66.7 million in TIF spending (2015). There are four participating taxing jurisdictions until 2026. Each of the City, the County, and the County Hospital are participating at a 70% rate, while the County College District is allocating 50% (2015). From 2027 to 2031, the City will be the sole contributor (2015).

In the first ten years, the core area has seen increment created significantly in excess of projections (2015). However with the first series of bonds issued in 2008 – some $34 million – the City has transferred payments from its general fund to be reimbursed by increment in the future (2015). These proceeds have been primarily spent on flood control and road

improvements, with the remainder of planned improvements waiting until further increment is created (2015).

While the first set of improvements may have been intended to provide for sufficient traffic infrastructure for Cowboys Stadium, it has had the same benefit for Globe Life Park and its successor, as well as the accompanying Texas Live entertainment district. Beyond Texas Live and the conversion of Globe Life Park into some office or residential use, there are no known plans to further alter land use patterns or infill surface parking lots. Thus in Arlington, TIF is seemingly a straight infrastructure play.

Washington DC – Nationals Park

Although Nationals Park did not receive direct TIF funding, TIF did play a significant role in facilitating the stadium deal. The largely blighted area surrounding Nationals Park near the southeastern waterfront was designated the Ballpark TIF Area. Up to $450 million in incremental property and sales tax proceeds from ancillary development in this TIF area was to be directed to a Community Benefit Fund, from which a maximum of $300 million in TIF bonds were authorized for issue (District of Columbia, 2005).

Within the Community Benefit Fund, earmarks were made for certain wards and projects, with the largest allocations for school construction and library improvements (Montgomery and Woodlee, 2004). The Community Benefit Fund in general, as well as each of the specific allocations, can be viewed as a product of coalition building for the stadium vote in 2004. Considerable mixed-use development around Nationals Park and the Navy Yard Metro station has transformed the neighborhood, creating over $1.5 billion in incremental assessments in the decade since the ballpark's 2008 opening (Fisher, 2018; Montgomery and Woodlee, 2004).

Although only roughly a third of new construction is within the formal Ballpark TIF Area, the Community Benefit Fund as originally designed was on track to become fully funded.

However, the original intent of the Community Benefit Fund has not been met. In 2009, unspent balances from the fund were taken to cover general fund expenses (DeBonis, 2011). In 2011, the DC Code sections concerning the Community Benefit Fund were amended to make transfer of increment to the fund subject to yearly approval in the District's budget and financial plan (District of Columbia, 2010). With no predictable allocation of revenues, the capacity to issue bonds was effectively muted. Whereas the 2011 financial plan projected dedicated TIF and Community Benefit Fund taxes as ranging from $58 million to $108 million in fiscal years 2012 through 2014 (2010), the 2012 financial plan revised these projections to zero (District of Columbia, 2011).

In DC, while TIF funded commitments unrelated to the facility itself, it effectively served a more common role as a flexible means to allocate funding to close a bargaining gap – here between key council members – and close a deal. Still the DC ballpark deal, which came with no enforceable commitments of ancillary development tied to the provision of large public stadium subsidies, was a first visible step in a remarkable neighborhood transformation (Boswell, 2016). While ancillary development activity took several years after ballpark opening to accelerate, the project should also be noted as an instance where results have demonstrated that increment could have been used to substantially repay stadium debt. However, as with places like San Francisco, optimism should be controlled by DC's relatively strong local economic conditions over the period where real estate development has blossomed, as well as high demand for mixed-use urbanism in inner city locations.

3.3.2. National Football League (NFL)

Twenty-nine active and permanent NFL stadiums are included, of which 27 were in a jurisdiction where they could have been eligible for direct TIF funding (Arizona and Minnesota were not). Although two venues have used TIF directly in construction (Detroit and San Francisco), TIF has been an even less substantial contributor to stadium finance in the NFL than in MLB. As with baseball stadiums, TIF is more relevant in ancillary development. Fifteen NFL stadiums that have seen some intent of spurring ancillary development. Twelve of these 15 have ancillary TIF districts and seven have strong connections to the facility. Seven stadiums had strong initial development plans, while eight had plans emerge in the years following construction. With the seven TIF districts that had strong connections to NFL stadiums, three had initial plans for ancillary development (Detroit, Green Bay's renovation, and San Francisco) and three had plans that followed years later (Cincinnati, Dallas, and Tennessee).

Fifteen of 29 stadiums were intended to spur ancillary development, with 15 eventually delivering related ancillary development (although only 14 of 15 stadiums overlapped). In terms of geography, three of seven venues are downtown or downtown adjacent, one is otherwise within a core city, and three are in suburbs. More broadly, while 15 stadiums are downtown or downtown adjacent locations, suburban locales are next most common (eight), with three apiece in sports complexes or on inner city sites.

Table 3.
NFL Stadium TIF Use

City	Stadium	Year	New/Reno.	Direct (D) or Strong (S)	Bonds	Property (P), Sales (S) Taxes
Arlington	AT&T Stadium	2009	New	S	Y	P
Cincinnati	Paul Brown Stadium	2000	New	S	Y	P
Detroit	Ford Field	2002	New	D	Y	P
Green Bay	Lambeau Field	2015	Reno.	S	N	P

Miami Gardens, FL	Hard Rock Stadium	2016	Reno.	S	N	P
Nashville	Nissan Stadium	1999	New	S	Y	P
Santa Clara, CA	Levi's Stadium	2014	New	D	Y	P

Table 4.
NFL Stadium TIF and Development Use

City	Stadium	Ancillary TIF	Strong TIF Connection	Intent to Spur Dev.	Master Plan Orig. Intent	Master Plan or Block Sized Dev. Later	Location	Pop. (2018) ('000)
Arlington, TX	AT&T Stadium	Y	Y	Y	N	Y	4	398
Atlanta	Mercedes-Benz Stadium	Y	N	Y	Y	-	1	498
Baltimore	M&T Bank Stadium	N	N	N	N	N	1	611
Buffalo (Orchard Park)	New Era Field	N	N	N	N	N	4	3
Charlotte	Bank of America Stadium	N	N	Y	N	N	1	872
Chicago	Soldier Field	N	N	N	N	N	1	2,705
Cincinnati	Paul Brown Stadium	Y	Y	Y	N	Y	1	302
Cleveland	First Energy Stadium	N	N	Y	N	N	1	385
Denver	Empower Field	N	N	N	N	Y	1	704
Detroit	Ford Field	Y	Y	Y	Y	-	1	672
East Rutherford, NJ	MetLife Stadium	N	N	N	Y	-	4	10
Foxborough, MA	Gillette Stadium	N	N	Y	Y	-	4	17
Glendale, AZ	State Farm Stadium	N	N	Y	Y	-	4	250
Green Bay	Lambeau Field	Y	Y	Y	Y	-	2	322
Houston	NRG Stadium	Y	N	N	N	N	2	2,325
Indianapolis	Lucas Oil Stadium	Y	N	Y	N	N	1	867
Jacksonville	TIAA Bank Field	Y	N	N	N	Y	1	903

Kansas City	Arrowhead Stadium	N	N	N	N	N	3	491
Landover, MD	FedEx Field	N	N	N	N	N	4	22
Miami Gardens, FL	Hard Rock Stadium	Y	Y	N	N	N	4	113
Minneapolis	U.S. Bank Stadium	N	N	Y	Y	-	1	425
Nashville	Nissan Stadium	Y	Y	Y	N	Y	1	669
New Orleans	Mercedes-Benz Superdome	N	N	N	N	N	1	391
Oakland	Oakland-Alameda Coliseum	Y	N	N	N	N	3	429
Philadelphia	Lincoln Financial Field	N	N	N	N	Y	3	1,584
Pittsburgh	Heinz Field	N	N	Y	N	Y	1	302
Santa Clara, CA	Levi's Stadium	Y	Y	Y	Y	-	4	129
Seattle	Century Link Field	N	N	Y	N	Y	1	744
Tampa Bay	Raymond James Stadium	N	N	N	N	N	2	392

Detroit – Ford Field

Neighboring Comerica Park, Detroit's Ford Field received $70 million in funding from the DDDA TIF zone (Crain's Detroit Business, 2014). The design of Ford Field included office space in the attached former Hudson's department store warehouse, in a concept similar to Camden Yards. A second phase office building followed in 2005, which became PwC's Detroit office until 2012 (Henderson and Duggan, 2012). The remaining available lots between Ford Field and two freeways remain surface parking, while properties connecting Ford Field to the rest of downtown are currently occupied by a criminal justice precinct and partially-finished jail that will be redeveloped by Dan Gilbert and the University of Michigan. Further future development opportunities may arise with the conversion of the I-375 spur into a boulevard behind Ford Field's parking deck.

Green Bay – Lambeau Field

While Lambeau Field is within the boundaries of Green Bay, its parking lots are mostly surrounded by the Village of Ashwaubenon. The Packers acquired significant land holdings across the street from Lambeau in Ashwaubenon, forming the basis for a 45 acre mixed use development known as the "Titletown District" planned alongside substantial renovations to the stadium. The Village has agreed to provide $12.5 million in TIF subsidies to Titletown, which will cover infrastructure like streets and utilities (Krumholz, 2017; Ryman, 2018; USA Today Network Wisconsin, 2017). Currently under construction, Titletown will include up to 150 apartments, 70-90 townhouses, as well as 225,000 square feet of office space and retail, all centered on a ten acre of park space (2018; 2017). The TIF subsidies will come in the form of rebates (2017).

Miami – Miami Gardens, Hard Rock Stadium

Although Dolphins owner and real estate developer, Stephen Ross, has not seen fit to announce any construction plans for the surface lots surrounding the renovated Hard Rock Stadium, Miami-Dade County has saw fit to create a TIF area (Community Redevelopment Agency under Florida law) to the north, west, and south of the stadium in 2017 (Keith and Schnars, 2018). County forecasts showed that TIF could divert up to $136 million over 30 years (Hank and Nixon, 2017), although notably increment will not be taken from Hard Rock Stadium. As part of the agreement with the City of Miami Gardens, TIF will fund a cultural center in the area with a 1,000 seat theatre and catering operation (2017). The City would also like to develop a "town center" in the TIF zone, with retail, dining, and hotel options (2017).

San Francisco – Santa Clara, Levi's Stadium

In 2011, Levi's Stadium received $4 million in TIF up-front and a further commitment of $36 million upon increment generation (City of Santa Clara, 2011). This agreement was made while the Governor was threatening the end of TIF in California (Rosenberg, 2011), which came to fruition later in 2012. As the TIF funding was a pre-existing commitment of redevelopment agency, the winding down of TIF ensured that the successor agency was still obliged to fulfill the funding (Yang and Geare, 2016).

Levi's Stadium was part of a larger Bayshore North TIF area, which the city hoped would see aggressive development (City of Santa Clara, 2012). At the time of redevelopment agency dissolution, there were several outstanding TIF obligations for Bayshore North, including Levi's Stadium. While there was an element of overlaying capture with this TIF district, under California law at the time, most overlaying taxing entities received a pass-through of 25% of increment, with certain school districts receiving a majority of what would be their share absent TIF (City of Santa Clara, 2007).

Prior to Levi's Stadium, the Bayshore North TIF area already hosted a Six Flags amusement park and a convention center. However transformation will come in the form of CityPlace, a $5.6 billion mixed-use project across the street from the stadium, developed by Dolphins owner Stephen Ross' company (Pacheco, 2018). With a lawsuit from neighboring San Jose resolved in Santa Clara's favor, construction on the 240 acre, 9.2 million square foot project is slated to begin in 2019 (2018). The development is intended to include 5.4 million square feet of office space, 1.1 million square feet of retail, 250,000 square feet of dining, and 190,000 square feet of entertainment, along with 1,680 residences (2018).

CityPlace will not benefit directly from TIF as the Bayshore North TIF area was effectively frozen in place with the death of California TIF in 2012, and there has been no use of the weakened 2014 TIF replacement of Infrastructure Finance Districts. Still, the presence of one of the largest developments in the western states in a TIF area across the street from a directly TIF funded stadium is notable, even if one can argue that both the stadium and CityPlace developments may have proceeded much the same absent TIF.

More recently in 2019, the 49ers won an assessment appeal resulting a 50% reduction in their property taxes and a $36 million initial rebate from the County and overlaying tax jurisdictions (Vo, 2019). If the decision survives judicial appeal, it means that the 49ers receive a major and retroactive property tax break without reduction in their TIF subsidies, and while undermining the capacity to generate increment. For this and other reasons, the relationship between the County and the 49ers has been likened to a divorced couple "living in the same house and sharing the kids" (Meacham, 2019).

Tennessee – Nashville, Nissan Stadium

In the same year as Nashville's stadium project was approved by referendum, metropolitan council implemented the East Bank Redevelopment Plan covering the largely blighted area surrounding the stadium site. This plan allowed for up to $25 million in TIF to be used in the vicinity through 2025, although only $7 million had been allocated as of 2017 (Metropolitan Nashville Audit Committee, 2018). Almost all of the increment has flowed to a single condominium project across the freeway from Nissan Stadium (Metropolitan Development and Housing Agency, 2018), with little tangible connection to the facility. As it stands, the area around the stadium is almost completely occupied by surface parking lots with

no notable ancillary development except a Quality Inn and riverfront park at opposite edges of the lots. The same hotel developer has proposed an eleven story La Quinta branded property beside the Quality Inn (Williams, 2011). Other than the hotels, there are no concrete development plans that can be reasonably tied to the stadium's presence.

3.3.3. National Basketball Association (NBA)

Twenty-six of 29 NBA arenas in the data set would have been theoretically eligible for TIF in their jurisdictions at the time their project finance structure was determined (Minnesota, Sacramento, and Toronto would not have been). Seven have seen direct TIF contributions in their construction or substantial renovation: Dallas, Detroit, Denver, Los Angeles, Milwaukee, Salt Lake City, and Washington DC. Direct TIF funding has ranged from a low of $12 million in Los Angeles, to $324 million in Detroit, the latter which represents the largest ever venue TIF spend.

There are ancillary TIF zones near 18 arenas, with 10 having a substantial connection to the facility. Twenty-five of 29 venues can be viewed as having been intended to spur ancillary development. Of the 10 arenas with strong TIF connections, five had initial plans for development (Dallas, Detroit, Los Angeles, Memphis, and Milwaukee), and a further five saw plans materialize later (Chicago, Denver, Indianapolis, Salt Lake, and Washington DC). Two cities are notable for using major TIF contributions (as a percentage of the project value) to subsidize redevelopment of previous arenas (Indianapolis and Memphis).

Of these 10 arenas with substantial TIF connections, nine are found in downtown or adjacent locations, while one is otherwise within a core city (Chicago). Of all NBA arenas in the data set, 24 have downtown or adjacent locations, three are otherwise within core cities, and two

are in sports complexes. Basketball arenas are far more frequently found in central locations than football or baseball stadiums, which may be associated with lessened land and parking requirements, as well as relatively more fathomable financial costs.

Table 5.
NBA Arena TIF Use

City	Arena	Year	New/Reno.	Direct (D) or Strong (S)	Bonds	Property (P), Sales (S) Taxes
Chicago	United Center	1994	New	S	Y	P
Dallas	American Airlines Center	2001	New	D	N	P
Denver	Pepsi Center	1999	New	D	N	P
Detroit	Little Caesars Arena	2017	New	D	Y	P
Indianapolis	Bankers Life Fieldhouse	1999	New	S	Y	P
Los Angeles	Staples Center	1999	New	D	Y	P
Memphis	FedEx Forum	2004	New	S	Y	P, S
Milwaukee	Fiserv Forum	2018	New	D	N	P
Salt Lake	Vivant Smart Home Arena	1992	Reno.	D	N	P
Washington	Capital One Arena	2007	Reno.	D	Y	S

Table 6.
NBA Arena TIF and Development Use

City	Arena	Ancillary TIF	Strong TIF Connection	Intent to Spur Dev.	Master Planned Original Intent	Master Planned or Block Sized Dev. Later	Location	Population (2018) ('000)
Atlanta	State Farm Arena	Y	N	Y	N	Y	1	498
Boston	TD Garden	N	N	Y	N	Y	1	694
Charlotte	Spectrum Center	N	N	Y	Y	-	1	872
Chicago	United Center	Y	Y	Y	N	Y	2	2,705
Cleveland	Rocket Mortgage Field House	N	N	Y	N	N	1	385
Dallas	American Airlines Center	Y	Y	Y	Y	-	1	1,345

Denver	Pepsi Center	Y	Y	Y	N	N	1	704
Detroit	Little Caesars Arena	Y	Y	Y	Y	-	1	672
Houston	Toyota Center	Y	N	Y	Y	-	1	2,325
Indianapolis	Bankers Life Fieldhouse	Y	Y	Y	N	Y	1	867
Los Angeles	Staples Center	Y	Y	Y	Y	-	1	3,990
Memphis	FedEx Forum	Y	Y	Y	Y	-	1	650
Miami	American Airlines Arena	Y	N	Y	N	Y	1	470
Milwaukee	Fiserv Forum	Y	Y	Y	Y	-	1	594
Minneapolis	Target Center	Y	N	Y	N	Y	1	425
New Orleans	Smoothie King Center	N	N	N	N	N	1	391
New York	Barclays Center	N	N	Y	Y	-	2	8,398
New York	Madison Square Garden	N	N	N	N	N	1	8,398
Oakland	Oracle Arena	N	N	N	N	N	3	429
Oklahoma City	Chesapeake Energy Arena	Y	N	Y	Y	-	1	673
Orlando	Amway Center	Y	N	Y	N	Y	1	285
Philadelphia	Wells Fargo Center	N	N	N	N	Y	2	1,584
Phoenix	Talking Stick Resort Arena	N	N	Y	N	N	1	1,660
Portland	Rose Garden	Y	N	Y	N	N	1	653
Sacramento	Golden 1 Center	N	N	Y	Y	-	1	501
Salt Lake	Vivint Smart Home Arena	Y	Y	Y	N	Y	1	200
San Antonio	AT&T Center	Y	N	N	N	N	3	1,530
Toronto	Scotiabank Arena	N	N	Y	N	Y	1	2,930

Washington	Capital One Arena	Y	Y	Y	Y	-	1	702

Chicago – United Center

The 463 acre Central West TIF district was created in 2000, completely surrounding the United Center and its parking lots. At the time of the redevelopment plan, 15% of the district was vacant, although no assembled blocks were entirely empty (S.B. Friedman & Company, 2000). The plan called for up to $98 million (1999 dollars) in TIF spending through 2023. Primary objectives for TIF spending included land assembly for new commercial development, environmental remediation, and infrastructure (2000).

As of 2017, $193 million in increment had been collected, and $67 million had been allocated (City of Chicago, 2018). While public investments have not massively diverged from initial projections, private investment has underperformed. While after fiscal 2018, the district is projected to be over halfway to its final total of public investments, it will only be 7% of the way to meeting its private investment objectives (2018). Indeed in gross terms, there has been slightly more public investment than private, indicating that increment has been generated from property appreciation over time as opposed to new construction or transformation.

Although there is a consensus that the neighborhood has improved considerably in the almost 25 years since the United Center opened in terms of public safety and blight, this has not translated into a visual transformation or major construction value gains (O'Connell, 2015). The Bulls and Blackhawks ownership groups (jointly owning the United Center) have had plans for a mixed-use entertainment district, but all that has come to fruition has been a six story office building attached to one end of the arena in 2017, and practice facilities for both professional teams.

Dallas – American Airlines Center

The American Airlines Center is detailed through two case study chapters of this dissertation.

Denver – Pepsi Center

In Denver, $36.5 million in TIF funding was provided for site preparation, remediation, and infrastructure for what became the Pepsi Center (Renew Denver, n.d.). This made TIF a 22% contributor to total capital costs for the facility and 90% of public costs. The Pepsi Center TIF zone also includes the neighboring Elitch Gardens amusement park.

While strong development has occurred in the LODO district beginning east of Cherry Creek (approximately 300 meters from the arena) and extending to Coors Field, and much to the south is occupied by two university campuses, little development has occurred in the immediate vicinity of the Pepsi Center. Besides a Marriott branded hotel between the arena and the University of Colorado Denver, and a few dining or bar options, the arena is surrounded by surface parking for the arena and amusement park. Although historically the area has been limited in development by virtue of being on a flood plain, the nearby university uses are at the same grade as the arena.

Considering the proximity to a booming downtown and its own light rail station, the lack of construction activity is surprising and indicative that proximity to the arena has not been a primary development driver. However a major 2018 rezoning of the lands to the north of the Pepsi Center beside Elitch Gardens may allow for the transformation of the area into a mixed-use master-planned development (Gruenauer, 2018b). The amusement park owners' "The River

Mile" project proposes over twelve buildings, including four ranging between 46 and 59 stories (Gruenauer, 2018a). Over the 25 year plan, the mixed-use community would expand from the parking lots separating Elitch Gardens and the Pepsi Center into the amusement park itself.

Detroit – Little Caesars Arena

Little Caesars Arena is detailed in the Detroit case study.

Indianapolis – Bankers Life Fieldhouse

$17.1 million in TIF funding was provided to subsidize the construction of a 28 story mixed-use complex on the site of the former Market Square Arena, demolished in 2001 (Mandzy, 2018). The $120 million project included 292 residential units and a Whole Foods Market. Although formal redevelopment efforts of the Market Square site began in 2002, over a decade elapsed before the project went forward (2018). While Indianapolis' downtown consolidated TIF area has been deemed a "slush fund" by critics on council due to the ability of cash funded projects to be approved by a majority mayoral appointed commission, the Market Square TIF project required council approval as bonds were issued (McLaughlin, 2015).

While TIF has been used in the immediate vicinity of the current arena and to help redevelop the previous arena site, it was not directly used in constructing Bankers Life Fieldhouse, the successor arena. Three years after TIF bonds were approved for Market Square redevelopment, an issue of $17.6 million in TIF backed bonds was approved for a 316 room hotel project on a surface parking lot across from the new arena (Olson, 2017). However this lot was not within the larger downtown TIF district and instead became a site specific TIF district. This TIF project is also notable for shifting the risk of incremental underperformance to the

developer – should incremental gains not cover debt service, then the developer is responsible for the difference (2017).

The most significant development around the arena has been seen to its southeast, with the major multi-block mixed-use CityWay project emerging across the rail tracks from the arena. The two-phase CityWay includes over 600 apartments, 60,000 square feet of retail space, a YMCA, and a 200 room hotel. CityWay has also received $15 million in TIF funding for its $135 million second phase (Briggs, 2015), following $9 million in infrastructure funding for the first phase (Schneider, 2012). However CityWay is constructed next to the Eli Lilly headquarters on land owned by pharmaceutical giant. The Eli Lilly campus is itself separated from the arena by a massive shared parking deck. Thus the arena is likely of secondary influence in this successful mixed-use development.

Los Angeles – Staples Center

$12 million in TIF funding was provided by Los Angeles' Community Redevelopment Agency (Rosentraub, 2014). The city issued a further $38 million in bonds, which were partially paid off by incremental parking taxes (with the other source being admissions fees) (Parlow, 2002). The LA Live ancillary development opened in three phases, with construction commencing in 2005, six years after the Staples Center opened (Knapp, 2008). The complex includes a performing arts theatre, ESPN studios, a restaurant and bar area, the Grammy Museum, a multiplex theatre, and a 54 story hotel and condominium tower. Further hotel expansions have been ongoing since 2015. As with the Staples Center, LA Live is owned by sports and entertainment giant AEG.

While before the Staples Center the area was home to the Los Angeles Convention Center, the neighborhood was blighted, with ample surface parking lots, vacant retail fronts, and less than fully occupied low-end apartment buildings (Parlow, 2002). Although development was slow until the construction of LA Live, recent years have seen a flood of dense mixed-use projects rising in a two block radius from the Staples Center on lands not owned by AEG.

Memphis – FedEx Forum

There was no direct TIF contribution to the FedEx Forum. The arena is within the downtown Tourism Development Zone (TDZ), which acts as a TIF district diverting incremental state and county sales taxes for tourism related projects within the zone (Corbet, 2018). Unlike many TIF districts, the baseline for a TDZ is adjusted based upon the percentage of general sales tax growth in the market, in this respect making for a version of TIF less predatory to general revenues (2018).

TDZ funding was integral in facilitating the conversion of the previous arena, the Memphis Pyramid, into a Bass Pro Shop and hotel. Bass Pro Shop, and its subsidiary Cabela's, dominate the outdoor destination retail market, and have been the frequent recipients of local economic development subsidies across the US (Capps, 2014). The City of Memphis issued $197 million in TDZ backed bonds for the Pyramid conversion project and to acquire Shelby County's interest in the nearby convention center (Memphis Center City Revenue Finance Corporation, 2011). The intent was that sales taxes created by Bass Pro (which would be by definition incremental) would pay off the substantial proportion of the debt, accompanied by lease payments from Bass Pro intended for maintenance and improvements (2011; Arnold, 2015).

As a much greater proportion of TDZ sales taxes come from the state (7%) than the county (2.25%) (Corbet, 2018), the TDZ operates as a mechanism to capture revenues that would otherwise be spent at the state level. The county sales tax capture also ensures that county taxes are retained within Memphis, although with the City accounting for roughly two-thirds of County population, this is a less glaring instance of overlaying capture. Projections expected Bass Pro to create between $8.1 million and $10.4 million per year between 2014 and 2031 (RKG Associates, 2011). Future phases of TDZ spending envision the transformation of the blocks outside of the Bass Pro Pyramid into the mixed-use Pinch District that would connect with the St. Jude's campus. As it stands however, there is little development beyond the Bass Pro Pyramid.

Milwaukee – Fiserv Forum

The City of Milwaukee is contributing $47 million to the $524 million Fiserv Forum, opened for the 2018 season. The City's direct funding comes entirely from two TIF districts, although the City has also provided land to the Bucks ownership (Greenberg and Shaw, 2011). The first TIF district includes 45 acres of land assembled by or for the Bucks ownership (25 acres of which has been transferred from the city, county, or state), which is intended to be the site of a master-planned mixed-use development. This first district will pay for a $12 million public plaza adjacent to the arena (2011). The second is an expansion of a TIF district in existence since 1993 (City of Milwaukee, 2015), and will allocate $27 million to a new parking structure beside the arena (Greenberg and Shaw, 2011). The Bucks ownership will be reimbursed for $8 million they have provided up front after the City has collected sufficient increment to cover the plaza costs (2011).

Although the Bucks will be reimbursed from an existing TIF district's increment – which is likely predatory from a but-for perspective in that the increment in that district would have been created in any event – the provision for this reimbursement to come after sufficient increment is created in the other district to pay the City's plaza costs is a protection of sorts. As the plaza increment is directly reliant upon the Bucks' real estate interests generating new increment, effectively at least a certain component of the Bucks' proposed developments will have to move forward for the Bucks to be reimbursed for their garage contributions.

While the City has seemingly gotten off light relative to many other municipally funded arena projects in the country, the parking garage investment is accompanied by the requirement to demolish an existing and fully functional parking garage attached to the Bradley Center (the previous arena) across the street from the new Fiserv Forum (2011). Seemingly the only reason for the demolition, replacement and relocation of the parking garages is to better facilitate the Bucks' real estate masterplan. For a construction component that does not seem inherently critical to the facility's success and the team's continued presence in Milwaukee, it possesses a tough opportunity cost for a city that has many competing fiscal needs.

Still, if realized, the Bucks' planned mixed-use development will transform a downtown adjacent area that failed to make a significant transition in the lifetime of the previous arena, despite being within two blocks of a performing arts theater, the convention center, a separate 12,000 capacity college basketball arena, and major civic buildings. As of 2018, construction was underway on an entertainment block and a 90 unit apartment building, with more significant phases to follow the demolition of the Bradley Center (Hess, 2018).

Salt Lake City – Vivant Smart Home Arena

Salt Lake City's Redevelopment Agency provided a commitment of $22.7 million in TIF reimbursement for the $122 million renovation of the Vivant Smart Home Arena completed in 2017 (Lee, 2016). TIF accounted for the entirety of the public subsidy in this renovation. As unlike many facilities the arena is not exempt from property taxes, TIF effectively acts as a property tax reimbursement scheme over an agreement lasting until 2040 (2016).

The total renovation cost is less than other similar renovations in lieu of a new facility such as Minneapolis. While the TIF district is not premised on new development outside of the facility and thus can be seen as not creating revenue that would not have otherwise been created as quickly, if compared to the alternative of an arena with no NBA tenant, then the relatively small TIF subsidy may be viewed in a more favorable light. At the same time, a subsidy to a family ownership group with a very strong connection to that particular community, and thus unlikely to leave, makes even a relatively small subsidy probably an unnecessary one. Thus, the TIF use here can be seen as more of a risk mitigation tactic with the intent of maintaining the relationship and protecting against unforeseen future changes.

Although there is nothing to indicate that the TIF reimbursement was intended to spur further ancillary development, the arena block is neighbored by a Hyatt branded hotel on one side and a large mixed-use multi-block lifestyle center on another. The multiphase lifestyle center, The Gateway, first opened in 2001, months prior to the Salt Lake Olympics. The other two blocks bordering the arena contain office spaces and the downtown campus of Brigham Young University, with the remaining block dominated by the Salt Lake Palace Convention Center.

Washington DC – Capital One Arena

The 2007 Capital One Arena renovation was publicly financed through $50 million in TIF loans backed by the incremental proceeds of a sales tax on tickets and merchandise at the arena (Downtown DC, 2014). This renovation came only ten years after the arena's opening, although the initial construction was overwhelmingly privately financed (Long, 2013).

In 2002, $73 million in TIF was allocated to the Gallery Place mixed-use development to the arena's immediate north on the same block (District of Columbia, 2012). The Gallery Place project includes retail, entertainment, office space, and apartments. Both the arena and Gallery Place have been credited with revitalizing a Chinatown neighborhood with substantial blight and safety problems prior to the 2000s, although considerable gentrification has occurred in the process (Hackman, 2017).

Multiple aspects of these downtown DC TIF projects are also worth noting more generally. First, the DC TIF Act, which allows for the capture of both property and sales taxes (Chief Financial Officer, n.d.), has a ceiling on issues of TIF bonds, which is currently $500 million (Chief Financial Officer, 2017). This means that in theory the opportunity cost of alternative TIF projects must be measured against the perceived benefits of the TIF subsidized project. Although a cap may be raised high enough to not really matter, the downtown DC TIF area currently only has seven active projects, two of which are the arena and Gallery Place.

Secondly, the raising of the ceiling in 2002 also made provision for approval of TIF projects outside of the scope of these limits (2017) (such as Nationals Park, or the $100 million in TIF bonds for The Wharf project). Finally, most of downtown DC acts as a single TIF district as the bond market was not at the time interested in bonds limited to increment from TIF projects such as Gallery Place alone (Talanker and Davis, 2012, p. 9). This means that general revenues

in some of the strongest portions of the District's tax base effectively backstop TIF bond issues. This said, bond market skepticism of Gallery Place has been shown to be somewhat of an overreaction, with the development returns in excess of its debt service costs (Archer, 2012).

3.3.4. National Hockey League (NHL)

With the greatest proportion of Canadian based clubs of the five major leagues, and TIF being less widespread in Canada, only 24 of 31 NHL arenas would have been eligible for direct TIF at the time of their construction or substantial renovation. Despite a smaller eligible pool, nine NHL arenas have used TIF in their capital costs: Columbus, Dallas, Denver, Detroit, Edmonton, Los Angeles, San Jose, Washington, and Winnipeg. Although Detroit remains the largest TIF contribution to an NHL arena, it is followed somewhat closely by Edmonton and San Jose (the latter when accounting for inflation).

There are ancillary TIF zones near 15 venues, with 14 having a strong connection to the arena. Where the 14 strong TIF connection facilities are concerned, five can be viewed as having initial development plans (Columbus, Dallas, Detroit, Edmonton, and Los Angeles), and six as having these plans later emerge (Chicago, Denver, San Jose, Tampa, Washington, and Winnipeg). Thirteen of 14 arenas with strong TIF connections are found in downtowns or adjacent locales, with the remaining facility being Chicago's United Center. Twenty-one NHL arenas in general have downtown or adjacent sites, with three otherwise within core cities, two in a core city sports complex, and four in suburbs. Nineteen of 31 arenas were intended to spur ancillary development, with 21 eventually delivering related ancillary development.

Table 7.
NHL Arena TIF Use

City	Arena	Year	New/Reno.	Direct (D) or Strong (S)	Bonds	Property (P), Sales (S) Taxes
Chicago	United Center	1994	New	S	Y	P
Columbus	Nationwide Arena	2000	New	D	Y	P
Dallas	American Airlines Center	2001	New	D	N	P
Denver	Pepsi Center	1999	New	D	Y	P
Detroit	Little Caesars Arena	2017	New	D	Y	P
Edmonton	Rogers Place	2016	New	D	Y	P
Los Angeles	Staples Center	1999	New	D	Y	P
Nashville	Bridgestone Arena	1997	New	S	Y	P
San Jose	SAP Center	1993	New	D	Y	P
St. Louis	Enterprise Center	2017	Reno.	D	Y	P, S
St. Paul	Xcel Energy Center	2000	New	S	Y	P, S
Tampa Bay	Amalie Arena	1996	New	S	N	P
Washington	Capital One Arena	2007	Reno.	D	Y	S
Winnipeg	Bell MTS Place	2004	New	D	Y	P

Table 8.
NHL Arena TIF and Development Use

City	Arena	Ancillary TIF	Strong TIF Connection	Intent to Spur Dev.	Master Planned Original Intent	Master Planned or Block Sized Dev. Later	Location	Pop. (2018) ('000)
Anaheim	Honda Center	N	N	N	N	Y	4	352
Boston	TD Garden	N	N	Y	N	Y	1	694
Buffalo	KeyBank Arena	N	N	Y	N	Y	1	256
Calgary	Scotiabank Saddledome	N	N	N	N	N	1	1,267
Chicago	United Center	Y	Y	Y	N	Y	2	2,705
Columbus	Nationwide Arena	Y	Y	Y	Y	-	1	892

Dallas	American Airlines Arena	Y	Y	Y	Y	Y	1	1,345
Denver	Pepsi Center	Y	Y	Y	N	N	1	704
Detroit	Little Caesars Arena	Y	Y	Y	Y	-	1	672
Edmonton	Rogers Place	Y	Y	Y	Y	-	1	932
Glendale, AZ	Gila River Arena	N	N	Y	Y	-	4	250
Los Angeles	Staples Center	Y	Y	Y	Y	-	1	3,990
Montreal	Bell Centre	N	N	N	N	Y	1	1,704
Nashville	Bridgestone Arena	Y	Y	Y	N	Y	1	669
New York	Barclays Center	N	N	Y	Y	-	2	8,398
New York	Madison Square Garden	N	N	N	N	N	1	8,398
Newark	Prudential Center	N	N	Y	N	N	1	282
Ottawa (Kanata)	Canadian Tire Center	N	N	Y	N	N	4	90
Paradise, NV	T-Mobile Arena	N	N	N	N	N	2	233
Philadelphia	Wells Fargo Center	N	N	N	N	Y	3	1,584
Pittsburgh	PPG Arena	N	N	Y	Y	-	1	302
Raleigh	PNC Arena	N	N	N	N	N	3	471
San Jose	SAP Center	Y	Y	N	N	Y	1	1,030
St. Louis	Enterprise Center	Y	Y	N	N	N	1	303
St. Paul	Xcel Energy Center	Y	Y	Y	N	N	1	307
Sunrise, FL	BB&T Center	N	N	N	N	N	4	95
Tampa Bay	Amalie Arena	Y	Y	Y	N	Y	1	392
Toronto	Scotiabank Arena	N	N	N	N	Y	1	2,930
Vancouver	Rogers Arena	N	N	N	N	Y	1	631
Washington	Capital One Arena	Y	Y	Y	Y	-	1	702
Winnipeg	Bell MTS Place	Y	Y	Y	N	Y	1	727

Columbus – Nationwide Arena

$16.6 million in TIF bonds were issued for infrastructure improvements in the Columbus Arena District (Urban Land Institute, 2015). In addition to the otherwise privately financed Nationwide Arena and a minor league baseball stadium, the 75 acre district includes a 300,000 square foot retail and entertainment district, over 1.1 million square feet of office space, and roughly 800 residential units, totaling almost $1 billion in investment by 2014 (Fontaine, 2014; Urban Land Institute, 2015). The Arena District sits on the site of the former Ohio Penitentiary, which remained a source of blight for almost 15 years after its closure until the arena opening.

While the Arena District has been successful in spurring a visual and vibrancy transformation in the area, there are still at least two full city blocks that remain surface lots, and much of a mega-block across the street from the arena that is still occupied by a power substation. Still, development continues, accentuated by plans for a 35 story residential, office, and retail tower 150 meters north of the arena (Warren, 2017).

However, both the Blue Jackets and the Nationwide Arena itself have struggled as business propositions. Namely, the presence of an arena of comparable size, age, and quality four kilometers away on the Ohio State University Campus has undercut Nationwide Arena's ability to draw non-hockey events (Rosentraub, 2014). This issue has been compounded by the domination of the relatively modestly sized Columbus market by OSU athletics (2014).

Though its success has been undermined by the 2012 public bailout of the arena based upon poor team and event performance (Fontaine, 2014), Columbus in some ways represents a TIF success story. In terms of return on investment relative to the initial subsidy cost in a small market, similar private construction investments have been seen in a comparable timeframe to

Dallas' Victory Park, a project that received significantly greater TIF and non-TIF subsidies if the 2012 bailout deal is bracketed from consideration.

Edmonton – Rogers Place

Rogers Place and the Edmonton Ice District project is the largest use of TIF in Canadian history to date. Rogers Place received C$145 million in direct TIF out of a C$484 million arena cost, making TIF the largest single source of public or private funding for the arena (City of Edmonton, n.d.). The City set out that a further C$90 million in TIF was provided for pedestrian and transit connections, including an enclosed "Winter Garden" bridge, a practice arena, and to pay for land acquisition costs. For these ancillary expenses TIF accounted for C$85 million of the cost.

This deal was framed by the City as stemming from a public consultation where four objectives were identified:

1. Protection of the City's interests
2. Does not increase current municipal property taxes
3. Sustains the NHL in Edmonton
4. Provides public infrastructure as a catalyst for downtown revitalization (City of Edmonton, n.d.).

With the second and fourth objectives, TIF would seem especially appropriate to avoid direct increases of property taxes as well as providing public infrastructure.

In Alberta, TIF is operationalized through the Community Revitalization Levy (CRL). This "made in Alberta" take on TIF limits the project duration to 20 years from the enactment of a CRL bylaw and allows for the redirection of both municipal and provincial shares of property

taxes (Sroka, 2016). Unlike many American TIF laws however, Alberta's is silent on criteria for which a CRL can apply, in particular the common blight or but-for tests. The Alberta version is also notable for the degree of provincial control maintained – the minister must approve the TIF plan and the province must pass the plan into regulation (2016).

Rogers Place is intended to anchor the ICE District, mixed-use development on 25 acres of largely blighted land in a formerly troubled area north of downtown Edmonton and located within the Capital City Downtown CRL district (City of Edmonton, 2017). Centered on a public plaza, the development also includes a relocated casino, a JW Marriott, condominiums, and two office buildings, including the tallest building in Canada outside Toronto. Although there was no contractual requirement in the arena funding agreement to complete the ancillary real estate development, the project is well on its way to fulfilling its C$2.4 billion vision and generating the increment necessary to fund the major TIF contributions.

Representing an assessed value and visual transformation, the project has been somewhat marred by the major commercial office space component being predatory on existing stock in a market with significant vacancy rates (NAI Commercial, 2019). More generally, the project is extremely ambitious for a metro area with a population of 1.3 million. Yet with a nickname like "Deadmonton," the side-effects of visibly successful ambition may be welcome. Further, that ancillary construction has substantially materialized despite the risk of no construction largely laying with the public, should be viewed as a potential disaster avoided.

However the Edmonton case has been best covered in book form by Scherer et al. (2019), detailing the dealmaking and development process in the broader context of urban politics. Fitting in with much of the literature about local growth coalitions and urban growth machines, their conclusions are mostly cautionary – primarily that the deal created a troubling precedent for

public finance in other locales. Perhaps the first instance of this difficult precedent has already been seen a few hours south in Calgary through similar dealmaking processes for a new arena development.

Nashville – Bridgestone Arena

$25 million in TIF bonds were provided to the Fifth + Broadway mixed-use development by the Metro Nashville government (Butler, 2018). Occupying most of the block across Broadway (the city's main entertainment street) from the arena, this site was formerly the Nashville Convention Center. The transformation will entail an office tower, retail space, over 380 residential units, and a museum (Nashville Post, 2019).

Questions have been raised as to the necessity of TIF for a site deemed by a major local newspaper as "the city's most prime commercial real estate" (Butler, 2018). In a strong economy with similarly strong demand for downtown development, it seems a valid question as to whether a substantially similar outcome could have been had absent TIF. Instead of but-for or blight, the subsidy may have been more the cost of securing the Metro government's preferred project and developer, with TIF viewed as being directly tied to outcome delivery.

Pittsburgh – PPG Paints Arena

The team controlled redevelopment of the 28 acre former Civic Arena site adjacent to PPG Paints Arena, was intended to be subsidized by $22 million to $50 million in TIF over 20 years, stemming from a 2014 option agreement with the city (Belko, 2014; Sports & Exhibition Authority of Pittsburgh and Allegheny County, 2019). However the city wanted to capture excess increment and transfer the proceeds to neighboring areas, and (assumedly) did not want to

place these areas into the TIF district (Allegheny Institute, 2015). Under Pennsylvania TIF law, any remaining funds would have to be redistributed to participating taxing jurisdictions, foreclosing the possibility of such a scheme (2015). To get around this obstacle, the parties chose to instead use an abatement and tax credit scheme under another local economic development law that would compel payments from properties within the 28 acre redevelopment zone to a fund redirected to the adjacent areas (2015). The PILOT-like "LERTA" scheme will capture increased property taxes, operating in effect much like a TIF project, even if the inventory section does not code this use as a strong TIF connection (Urban Redevelopment Authority of Pittsburgh, 2019).

These plans were intended to rectify the planning mistakes made in previous generations of urban renewal, whereby roughly 1,300 buildings were demolished to make way for a plan anchored by the Civic Arena (Belko, 2014). The Penguins proposed phasing of more than 1,000 residential units, as well as over 750,000 square feet of commercial retail and office space (Belko and Grant, 2017). While a new US Steel headquarters was intended to be part of the site, the company withdrew, leaving the team looking for a new primary tenant (2017).

The Penguins' option over the Lower Hill site was amended and extended until 2015 under a 2018 agreement (Sports & Exhibition Authority of Pittsburgh and Allegheny County, 2018). The first phase of a revised mixed-use project is slated to break ground in 2020 (Belko, 2019; Urban Redevelopment Authority of Pittsburgh, 2019). However with numerous delays and major revisions since the arena's 2010 opening, construction timelines are very much a question mark.

More broadly from a TIF perspective, Pittsburgh may be an instance where government actors were drawn to TIF as a flexible instrument to both spur geographically based

redevelopment in a venue adjacent area (indeed upon the site of a former arena) as well as to transfer incremental proceeds to other pet projects, without needing further approval or to directly touch general funds. When the specific state TIF statute was revealed to be ineffective in allowing the transfer aspect, the insufficiently permissive TIF law was passed over for another legal scheme that better facilitated the policy objective.

San Jose – SAP Center

TIF contributed $132 million of a $165 million total arena cost for the SAP Center across a river and freeway from downtown San Jose, following a successful 1988 referendum (Gross, 1994). These TIF funds came from the merger of 10 scattered redevelopment districts and a concerted strategy to bring in new jobs in those districts, then borrow against the increment and invest those proceeds into downtown redevelopment as the previously scattered districts included the downtown area (1994). Contemporaneously to the arena, major downtown development included a convention center, two museums, performing arts institutions, an open air shopping pavilion, several large hotels, and light rail (1994).

Following the lineage of California being the first jurisdiction to see TIF, the "Shark Tank" may have been the first TIF use in a major professional sports facility. Here the appeal of TIF was seemingly that of a flexible instrument politicians could use to divert revenues while not directly increasing taxes or otherwise running afoul of a referendum electorate. This project also illustrates an aspect of the permissiveness found within the former California Redevelopment Law, which was repealed in 2011 in the wake of a state budget crisis. Specifically, the San Jose arena represents a more expansionist form of TIF whereby increment in one area is funnelled to

an effectively unrelated area. Diversion along these lines has been more recently seen in Winnipeg's CFL stadium, Dallas, and Washington DC.

Although the project diverted proceeds of incremental growth from around the city, real estate development did not follow in the arena's immediate vicinity, with lands surrounding the SAP Center remaining surface parking. This absence of major ancillary development is likely to change in the next several years, with Google intending to acquire $350 million of land interests or options to the immediate north and south of the arena for its San Jose campus (Avalos, 2018). Central to the plan are the arena's parking lots, the development of which the Sharks have opposed. While the arena may have been an element of the area's appeal, the mixed-use urbanist Google Village project is focused on the Diridon train station 200 meters south (2018).

St. Louis – Enterprise Center

TIF was not originally intended to be a part of the $67.5 million in public contributions to the arena renovation, but emerged as part of a settlement agreement (Rivas, 2018). The Blues ownership sued the City of St. Louis, when the City Comptroller refused to sign the financing agreement for the arena's renovation based upon the contention that the debt issue would harm the city's credit rating (2018). Instead of only general fund revenues, the settlement agreement – following a court ruling that the Comptroller must sign the original agreement (Spedden, 2017) – allows the City to pay off renovation debt with "incremental city tax revenues generated from the…project" (Rivas, 2018). Although it is not yet clear what and to what extent, TIF revenue sources will cover the renovation debt, this is an instance of TIF being a flexible instrument to throw at a funding gap, as well as an attempt to better align expenditure and revenue sources.

St. Paul – Xcel Energy Center

2008 saw the creation of the Minnesota Event TIF district, encompassing the arena, a convention center, a museum, and center for performing arts (Havens, 2008). Effectively an extension of a previous downtown TIF district, the TIF area was the second choice solution to pay off outstanding convention center bonds when the state rejected St. Paul's preferred debt forgiveness option (2008), providing another example of TIF's flexibility benefits. While something of a walkable entertainment district can be found to the southeast of the arena, including two blocks dominated by urbanist mixed-use buildings alongside two chain hotels, the remaining sides of the arena not committed to other event district uses are occupied by surface parking lots 18 years after the venue's opening.

Tampa Bay – Amalie Arena

Under the banner of Strategic Property Partners (SPP), the Lightning's owner formed a joint-venture with Bill Gates' holding company, Cascade Investments (Danielson, 2017). The self-financed SPP aims to develop 40 acres around the arena on the Tampa waterfront with roughly $3 billion in construction, supported by $100 million in TIF subsidies (2017). The ten year masterplan represents one of the most ambitious team-controlled or related real estate development projects in history, with plans for 3,500 residential units, 2.4 million square feet of office space, over 1 million square feet of retail, and two new hotels with 650 rooms (2017). The initial phase of activity has entailed building infrastructure and a new road grid for 16 city blocks, with the first buildings set to open in 2020 (2017). With most of the properties currently vacant or used as surface parking, the explicitly new urbanist development represents a true transformation for the city.

Winnipeg – Bell MTS Place

While TIF did not contribute to the construction of Bell MTS Place in 2004, it did directly accompany the transition of the facility into an NHL arena in 2012 with the return of the Winnipeg Jets. $8.3 million in infrastructure and streetscape improvements were funded through the initial phase of the Sports, Hospitality, and Entertainment District (SHED), an 11 block TIF zone linking a blighted area between the arena and the Winnipeg Convention Centre (Romaniuk, 2012). As with Alberta, TIF in Manitoba includes both municipal and provincial property taxes, although amounts equivalent to the school portion of property taxes must be reimbursed by the municipality (Government of Manitoba, 2009).

The calculation for this first phase TIF plan was based upon the completion of a C$75 million mixed-use hotel and commercial space project across the street from the arena (Romaniuk, 2012). Reliance upon taxes from a development that was already moving ahead is a clear instance where but-for is not present and TIF is simply diverting increment that would have definitely otherwise flowed to the city's general fund. The positive to this capture tactic is that the city was confident that TIF debt would be sufficiently covered from the outset. Similar plans have been used in other Canadian TIF projects, such as the Calgary Rivers District and its diversion of increment from The Bow project (Sroka, 2016).

A second phase of TIF in the amount of up to C$12 million was allocated to the $400 million True North Square project, which includes four towers centered on a public plaza adjacent to the arena, and containing over 1 million square feet of residential and commercial space (Kives, 2018). True North Sports and Entertainment also owns the arena and the Jets, making this a strong instance of club-controlled real estate development. The TIF subsidy will come in the form of reimbursement as increment from the development is generated, which

again poses but-for questions. Indeed the SHED has been so successful in creating increment, that the city removed three residential developments from the SHED and into two separate TIF districts, one intended to spur housing starts in other downtown arenas, and another which would funnel funds to a convention center expansion (Kives, 2016).

3.3.5. Major League Soccer (MLS)

Of the 23 MLS stadiums in use during the 2018 season and 18 are soccer primary. Of these 18 stadiums, 14 would have been eligible for TIF at the time of construction or substantial renovation. Six stadiums have used TIF in capital costs (Commerce City, Columbus, Fresno, Houston, Kansas City, and Salt Lake City). Despite MLS stadiums being generally the cheapest venues in the major leagues, two stadiums account for some of the largest TIF contributions in gross and percentage terms: Dick's Sporting Goods Park in Commerce City, and Children's Mercy Park in Kansas City. No stadiums beyond the six directly TIF funded have ancillary strong connection TIF districts.

Thirteen of 18 stadiums were intended to spur ancillary development, with 10 delivering on these plans. Four of six TIF using stadiums had ancillary development intentions, with some significant development plans having been seen in the vicinity of each. Only one is found in a downtown or adjacent location (Houston), with one otherwise within a core city (Columbus) and the remaining four in suburbs. Generally, MLS stadiums are less likely to be found in downtown locations, with only six meeting the criteria. Another five are within core cities outside of downtowns, and the remaining seven are in suburbs. The lower costs of MLS stadiums relative to other major leagues perhaps creates a larger range of municipalities within a metro area with the fiscal capacity to compete for hosting the facility.

Table 9.
MLS Stadium TIF Use

City	Stadium	Year	New/Reno.	Direct (D) or Strong (S)	Bonds	Property (P), Sales (S) Taxes
Columbus	Mapfre Stadium	1999	New	D	N	P
Commerce City, CO	Dick's Sporting Goods Park	2007	New	D	Y	P
Frisco, TX	Toyota Stadium	2004	New	D	Y	P
Houston	BBVA Compass Stadium	2012	New	D	N	P
Kansas City, KS	Children's Mercy Park	2011	New	D	Y	S
Sandy, UT	Rio Tinto Stadium	2008	New	D	Y	P

Table 10.
MLS Stadium TIF and Development Use

City	Stadium	Ancillary TIF	Strong TIF Connection	Intent to Spur Dev.	Master Planned Original Intent	Master Planned or Block Sized Dev. Later	Location	Pop. (2018) ('000)
Bridgeview, IL	SeatGeek Stadium	N	N	Y	N	N	4	16
Carson, CA	StubHub Center	N	N	N	N	N	4	91
Chester, PA	Talen Energy Stadium	N	N	Y	Y	-	4	33
Columbus	Mapfre Stadium	Y	Y	N	N	N	2	892
Commerce City, CO	Dick's Sporting Goods Park	Y	Y	Y	Y	-	4	58
Frisco, TX	Toyota Stadium	Y	Y	Y	Y	-	4	188
Harrison, NJ	Red Bull Arena	N	N	Y	Y	-	2	17
Houston	BBVA Compass Stadium	Y	Y	Y	N	Y	1	2,325
Kansas City, KS	Children's Mercy Park	Y	Y	Y	Y	-	4	152
Los Angeles	Bank of California Stadium	N	N	Y	N	N	2	3,990

Montreal	Stade Saputo	N	N	N	N	N	2	1,704
Orlando	Exploria Stadium	Y	N	Y	N	N	1	285
Portland	Providence Park	N	N	Y	N	Y	1	653
Sandy, UT	Rio Tinto Stadium	Y	Y	N	N	N	4	96
San Jose	Avaya Stadium	N	N	Y	Y	-	2	1,030
Toronto	BMO Field	N	N	N	N	N	1	2,930
Vancouver	BC Place	N	N	Y	N	Y	1	631
Washington	Audi Field	Y	N	Y	Y	-	1	702

Columbus – Mapfre Stadium

The Crewville TIF district was established to pay for up to $2.1 million in road improvements to provide access to and from the north of the stadium. The district does not actually encompass the stadium, instead generating increment from a retail area that includes a Lowe's and Aldi (City of Columbus, 2012). Besides this retail area, there has been no development in the vicinity of the stadium, with the area dominated by surface parking lots shared with the Ohio State Fair.

The TIF district gained some prominence as an issue in the Ohio Attorney General's lawsuit against the Crew's ownership and their attempt to move the team to Austin. After the departure of the Cleveland Browns, the state passed legislation whereby teams using tax dollars for their facilities are prohibited from leaving without first providing local groups an opportunity to purchase the team. The TIF district spending was cited by the Attorney General as one such instance of assistance making the statute applicable (Reding, 2018).

Commerce City – Dick's Sporting Goods Park

TIF accounted for $133.6 million out of $150.4 million in public funding, and a $182.5 million of total capital costs for Dick's Sporting Goods Park in Commerce City, a suburb northeast of Denver. Team owner, Stan Kroenke, is a retail real estate developer by background and Commerce City's willingness to use TIF funding, was said to be a crucial reason for the stadium's location in the area (Sanchez and Griffin, 2007). The stadium and an accompanying soccer field complex, and local government buildings, constituted the first phase of a multiphase mixed-use development on mostly bare-land. Dubbed as Victory Crossing, the masterplan calls for over 1 million square feet of offices, retail, and hotel uses (Victory Crossing, 2015).

With some of the deepest pockets in MLS, it is unlikely that access to capital will play a limiting role in Kroenke – married to a Wal-Mart heiress and also owner of Arsenal, the LA Rams, the Colorado Avalanche, and Denver Nuggets – from realizing his Commerce City ambitions. In some ways Victory Crossing is an earlier version of the Rams Inglewood development.

Frisco, TX – Toyota Stadium

TIF accounted for the entirety of the direct public contribution to Toyota Stadium and 50% of the $110 million total capital cost (Convention Sports & Leisure International, 2014). Three separate taxing jurisdictions contributed TIF backed bonds: the City of Frisco ($20 million), Collin County ($20 million), and the Frisco Independent School District ($15 million) (2014).

While little existed around Toyota Park after its 2005 opening besides a soccer field complex to its north, the stadium was aligned to be the north end of a boulevard leading to a new

town center dubbed Frisco Square, 250 meters south. In additional to local government buildings, the 147 acre development is intended to include several million square feet of master-planned urbanist commercial and residential developments (Frisco Square, 2015). Early phases have filled in main arteries with four story mixed-used buildings, many with street level retail, though over 20 acres still remain to be developed (Slade, 2013).

Ambitious by TIF in sports standards, Toyota Stadium is placed in further context as actually being the second of three distinct TIF funded sports complexes in Frisco, a suburb of 175,000 north of Dallas. The first centered on a minor league baseball stadium and hockey arena, surrounded on a grid by mixed-use apartment complexes and an Embassy Suites. Across from the sports complex is a large traditional suburban shopping mall and IKEA.

The third complex, The Star, is the Dallas Cowboys headquarters and practice facility and 12,000 seat indoor stadium. While there are plans for development on 91 acres (Frisco Texas, 2019) the initial stages have seen an Omni Hotel and several blocks of mixed-use lifestyle center built on a grid pattern, as well as an office building. An apartment complex will soon be under construction.

Also worth noting is the high degree of school district participation. Although many school districts recoil at having their increment share captured by overlaying jurisdictions, the local district is an explicit proponent of TIF participation in sports venues, citing the potential for transformative growth that will improve their longer term bottom line as well as use of stadiums for high school football (Frisco Independent School District, 2018).

Houston – BBVA Compass Stadium

The City and Harris County contributed $20 million in TIF bonds. This represented approximately half of the $40.6 million in public funding for the $101 million project. The stadium site fell into a pre-existing Houston TIF zone (City of Houston, 2017) in an area two blocks east of the convention center and four blocks from Minute Maid Park, on the other side of I-69. The stadium commitment representing roughly 20% of the total capital budget for the TIRZ as of 2017 (2017). As recently the early 2000s, the area was significantly blighted. Recent years have seen strong residential infill and corresponding increment generation, largely in the form of upscale row-homes and condominiums of up to five stories. Most of the blocks immediately to the north and south of the stadium have been built upon in recent years, with surface parking remaining on the east and west sides, with the east side surface lot shared with Minute Maid Park. Development of condominiums to the north preceded the stadium, while development to the south has followed stadium construction.

Although the team and stadium project was underseen and initially operated by AEG, a company that has been quite active in developing entertainment districts such as LA Live around its venues, there was no such club controlled real estate development masterplan here. In fact, in 2015 AEG, an owner of multiple MLS clubs, sold its interests in the stadium and Dynamo.

Kansas City, KS – Children's Mercy Park/Sporting Park

The entire $147 million public contribution to the $167.5 million capital cost for Sporting Park came in the form of Sales Tax Revenue Bonds (STAR) Bonds. These municipally issued bonds combine increment from state and local sales taxes, as well as hotel occupancy taxes, within a defined major commercial, tourism, or entertainment area (Kansas Department of

Commerce, 2019). In the instance of Sporting Park, the low density STAR district was already anchored by the Kansas Speedway, Great Wolf Lodge, an outlet mall, Cabela's, and an independent league baseball stadium, meaning that there was plenty of increment being generated by the stadium's opening in 2011. Team ownership specifically cited the existing availability of the STAR bond mechanism as the reason for the stadium's location on the Kansas side of Kansas City (Rishe, 2012), which effectively serves as a suburb of Kansas City, Missouri.

Sandy – Rio Tinto Stadium

Of the $35 million in public contributions to the $110 million Rio Tinto Stadium project, $10 million in TIF backed bonds came from the Redevelopment Agency of Sandy (Convention Sports & Leisure International, 2014). Although Real Salt Lake is owned by the founder of a prominent Utah property management firm, team related parties do not control stadium adjacent lands. Besides a multiplex movie theatre across the street and a convention center to the southeast, the stadium is neighbored by residential subdivisions and light commercial and industrial uses.

Property taxes from a 28 acre TIF area (the 9400 South Community Development Area) around the stadium were intended to be sufficient to repay the TIF bonds. However increment generation has proven insufficient and the Redevelopment Agency has had to redirect increment from other TIF areas to service debt obligations (Lewis Young Robertson & Burningham, 2015, 58). The primary source of this shortfall was a successful property tax appeal by Real Salt Lake to Salt Lake County, which saw the club's property assessment and tax bill decline almost half from 2011 to 2017 (McKellar, 2017). Thus despite knowing at the time of the stadium deal that much of the city's contribution was reliant on a certain assessed value of the stadium and

property taxes based on that assessed value, several years after the stadium opened, the team did an end-around the city and appealed for a significantly reduced assessment that would undermine debt service on stadium bonds. This is a similar gambit to the 49ers in Santa Clara.

3.4. COMPARING LEAGUES AND 125 VENUES

Of the 125 non-temporary major league venues in 2018, 107 were located in jurisdictions where TIF could have been used in their direct costs at the time of construction or substantial renovation. Of these 107 eligible facilities, 22 have seen TIF contributions to direct capital costs, while a further 17 have TIF uses deemed as having a strong relation to the facility. These 39 venues with a strong TIF relation represent almost a third (31%) of stadiums and arenas in the five major North American leagues and 36% of venues where TIF use was possible. Incidences of direct TIF contributions are most often found in arenas and soccer-specific MLS stadiums. Non-direct but strong TIF connections are seen on a roughly equal basis in all leagues except MLS. The total direct TIF expenditure was $1.817 billion and the average direct TIF spend was $82.9 million, both in 2017 dollars. Where TIF was directly used, it accounted for an average of 60.3% of public capital costs, and 24.4% of total capital costs.

3.4.1. TIF Over Time

When considering the dates of construction or substantial renovation completion for the 125 major league facilities more generally, there is a roughly one third each split between the pre 2000 (43), 2000 through 2009 (41), and 2010 to 2018 periods (41). Starting with venues with no direct TIF funding but an otherwise strong connection to a facility, the distribution is exclusively concentrated in the latter two periods, with eight coming between 2000 and 2009, and six since

2010. Although some TIF districts in this category have been in existence since well before 2000 (such as the downtown area encompassing Tampa's arena), their venue connection has only developed later (in Tampa, with a major redevelopment partnership connected to the Lightning's ownership emerging).

Direct TIF use however, is definitely more back loaded with the same three periods respectively accounting for four, 11, and seven venues. Direct TIF contributions over these three periods average $74.5 million, $65.1 million, and $114.7 million. While the basic grouping of venues by decade shows that TIF use has indeed become more common since 2000, the average amounts are warped by significant variance between different projects – some facilities have used hundreds of millions in TIF as the entirety of public funding, while others have only seen relatively minor TIF contributions.

Table 11.
Venues With Direct TIF Contributions

Venue	City	Year	New or Reno.	League	TIF $m	TIF $m (2017)	TIF/Total Capital Cost (%)	TIF/Public Capital Cost (%)
American Airlines Center	Dallas	2001	New	NBA/NHL	24	33	5	14
AT&T Park	San Francisco	2000	New	MLB	15	21	4	28
BBVA Compass Stadium	Houston	2012	New	MLS	20	21	20	49
Bell MTS Place	Winnipeg	2004	New	NHL	6	8	6	16
Capital One Arena	Washington	2007	Reno.	NBA/NHL	50	60	14	57
Children's Mercy Park	Kansas City, KS	2011	New	MLS	147	162	75	93
Comerica Park	Detroit	2000	New	MLB	40	57	10	23
Dick's Sporting Goods Park	Commerce City, CO	2007	New	MLS	134	160	73	89
Fiserv Forum	Milwaukee	2018	New	NBA	47	47	9	19
Ford Field	Detroit	2002	New	NFL	70	96	14	56
Levi's Stadium	Santa Clara, CA	2014	New	NFL	40	41	3	37

Little Caesars Arena	Detroit	2017	New	NBA/NHL	324	324	37	100
Mapfre Stadium	Columbus	1999	New	MLS	2	3	5	100
Nationwide Arena	Columbus	2000	New	NHL	17	24	9	100
Pepsi Center	Denver	1999	New	NBA/NHL	36	54	22	90
Petco Park	San Diego	2004	New	MLB	133	174	29	44
Rio Tinto Stadium	Sandy, UT	2008	New	MLS	10	11	9	18
Rogers Place	Edmonton	2016	New	NHL	180	185	39	77
SAP Center	San Jose	1993	New	NHL	132	224	82	100
Staples Center	Los Angeles	1999	New	NBA/NHL	12	17	4	17
Toyota Stadium	Frisco, TX	2004	New	MLS	55	72	50	100
Vivant Smart Home Arena	Salt Lake	2017	Reno.	NBA	23	23	18	100
Total	-	-	-	-	1,517 (avg. 69.0)	1,817 (avg. 82.6)	24.4	60.3
	Note: The Enterprise Center in St. Louis is not included as specific TIF amounts are unclear as of writing.							

3.4.2. Substantial TIF Contributions

The grouping of venues by construction timeframe reveals coding facilities by the substance of their TIF contributions may also have some value to understanding facility TIF use. Substance of TIF contribution is measured in three ways: the share of total and public contribution, as well as the gross amount of TIF funding. For total contribution, substantial was defined at 20%, while 30% was used for public contribution, and $50 million was the threshold for gross TIF funding. All three are intended to represent an element of a larger proxy for "substantial" TIF commitment, where TIF by no means has to be the primary source of funding, but where the absence of TIF would create a significant financial gap.

With total cost share there are nine venues that have a least 20% of their capital costs covered by TIF. Four of these are soccer specific MLS stadiums (Colorado, Dallas, Houston, and Kansas City), and with the exception of Houston, these stadiums actually use TIF for at least half

of their total capital costs. These three stadiums are also located in suburbs. A further four arenas (Denver, Detroit, Edmonton, and San Jose) and one MLB stadium (San Diego) meet the 20% threshold, with all but Denver's Pepsi Center having TIF contributions measured in the hundreds of millions of dollars.

As for public cost share, 14 venues meet the threshold of 30% TIF. The list includes Columbus and the same four MLS stadiums, along with seven arenas, Petco Park, and Levi's Stadium. The other venues present not qualifying under the total cost category are arenas in Columbus, Salt Lake City, and Washington DC. This category generally captures largely privately financed venues or renovations that used TIF as a high proportion of a relatively low gross public contribution.

Finally there are gross TIF contributions. Eleven venues have adjusted gross 2017 TIF contributions of at least $50 million: Detroit, San Diego (MLB); Detroit (NFL); Denver, Detroit, Edmonton, San Jose, and Washington DC (arenas); and Dallas, Colorado, and Kansas City (MLS). Here the list mostly mirrors that of total cost share. Also worth noting is Milwaukee's new arena which has $47 million in TIF funding, but misses the three thresholds of substantial contribution.

Eight venues, however, reach all three thresholds: San Diego (MLB); Denver, Detroit, Edmonton, and San Jose (arenas); and Dallas, Colorado, and Kansas City (MLS). Two (Denver, San Jose) are from before 2000, while three apiece are found between the 2000-2009 (San Diego, Dallas, and Colorado) and the 2010-2018 periods (Detroit, Edmonton, and Kansas City). While all the MLS stadiums on the list are found in suburbs, the remaining facilities are located on downtown or adjacent sites. This poses the issue for future work of whether TIF is used in

different ways by core cities and suburbs based upon available revenue sources, fiscal capacity, and team willingness to locate.

3.4.3. Renovations and Redevelopments

TIF has become a notable inclusion in several renovations and redevelopments of former stadia sites. On the renovation front, TIF has been a primary financial source or public contribution for arena renovations or capital upgrades in Salt Lake City, Washington DC, and Winnipeg. Likewise, TIF has been central to transforming the former Memphis Pyramid into a Bass Pro Shop, and Indianapolis' Market Square Arena into mixed use developments.

3.4.4. Property and Sales Taxes

Beyond questions concerning where and in what dollar amount TIF has been used, are issues of which types of TIF have been utilized to what extent. The first of these is whether property or sales taxes (or both) were available for increment. In the broader TIF context, these two sources are the most significant forms in terms of usage and ability to generate revenues, and thus allow for a more straightforward reference to the broader TIF literature. While some jurisdictions permit incremental income or other taxes to be collected, these sources are generally insignificant revenue generators relative to property or sales taxes.

As with TIF in general, property TIF is far more frequently used in both direct and strong connection venue TIF districts. Twenty direct TIF venues have used property tax increments: three MLB stadiums, two NFL stadiums, 10 arenas, and five MLS stadiums. A further 16 venues have strongly related property tax increment use, although this includes some overlap in that multiple neighboring facilities have strong connections (e.g., the Cincinnati stadiums). Unlike

with almost any other facility TIF measure, the most strong connections are found in MLB (five) and NFL (five) stadiums, leagues where direct TIF use is much more limited. One explanation may be that while it is difficult for property based TIF to make a significant dent in the often massive public capital costs accompanying football and baseball stadiums, TIF is more appropriate to try and stimulate ancillary real estate development around these facilities.

On the other hand, sales tax increment is not frequently seen in direct capital costs, with only two venues using a form of sales TIF (Washington DC's arena and the Kansas City soccer stadium). Indeed, even one of the two direct facility sales TIF uses (the Washington DC arena) is limited in scope to incremental sales taxes from merchandise and concession sales. This sales TIF component also came to fund a renovation a decade after the arena's opening, at a time where merchandise and concession sales should have been predictable and not subject to whims of the broader economy and retail business movement of a more traditional sales TIF district (Smith, 2009).

Sales TIF is present in a further four strong connection TIF districts: St. Louis and Washington DC in MLB, the Memphis Pyramid redevelopment, and the St. Paul events district. The St. Louis district currently operates similarly to the DC arena sales TIF use, with sales TIF directly reliant on club controlled restaurant and bar outlets. As noted, the Memphis Pyramid's conversion into a Bass Pro Shop represents another limited sales TIF zone where revenues directly stemming from the project dominate the scope and risk of the sales TIF use. The DC Ballpark TIF Area is the only traditional open zone sales TIF area, but (as detailed earlier) sales TIF revenues are not actually securing any debt at this point.

3.4.5. Debt and Reimbursement

Generally a TIF project will either issue public debt backed by anticipated future incremental proceeds, or pay-as-you-go in which increment funds improvements as it is generated. In the latter instance, private parties may use a reimbursement commitment to secure their own financing. With sports venues, public debt is most commonly issued for both direct capital costs, and facility related TIF projects. A total of 18 venues have seen the issue of TIF backed debt for capital costs, while a further 12 strong TIF connection facilities have seen debt issues for their TIF related projects. The 18 include all MLB and NFL stadiums with TIF contributions to their direct capital costs, as well as five of six MLS stadiums, and eight NHL arenas. Only more NBA arenas saw reimbursement based TIF contributions than debt issues. Indeed, direct TIF funded NBA arenas were the only stadia subset that saw significant instances of reimbursement based TIF, accounting for four of six instances of direct costs.

Although there has been no comprehensive study of all TIF districts in the United States, the proportion of debt issues to pay-as-you-go is likely to be weighted far more in the direction of the latter than it is in this data set. Reasons for divergence may include the higher profile and higher cost nature of stadia projects, as well as the increased availability of federally tax exempt bonds, which allow local governments to effectively provide a higher rate of subsidy with the federal government bearing the cost. However further research would need to be conducted to move beyond speculation.

Table 12.
Number of Venues With TIF Characteristics by League

League	Ancillary TIF	Strong Ancillary TIF	Bonds*	Reimbursement*	Property TIF*	Sales TIF*
MLB	12	8	8	0	8	2
MLS	6	6	5	2	6	1
NBA	18	10	6	4	9	2
NFL	12	7	4	2	7	0
NHL	14	14	12	2	13	3

*Applies to venues with strong ancillary TIF connections.

3.4.6. Local and Sub Federal Jurisdictions

Venue TIF use can also be seen at the jurisdictional level, with the enveloping question being whether there are certain local and sub federal jurisdictions (where TIF is available) where facility TIF use is also more common? While comparison is limited by jurisdictions having more or fewer teams and venues from any combination of factors, there are some trends worth noting from both a gross and realization of potential perspective. Starting with cities, Detroit and Columbus stand out as having all their professional facilities directly TIF subsidized, although Detroit's TIF use is much more substantial than Columbus' in terms of gross and share contributions and Columbus only has two major professional facilities (plus a minor league stadium using TIF). The District of Columbia is also notable for using TIF in two of three venues, with the arena renovation and Ballpark TIF Area. With metropolitan areas, the comparison issues are somewhat muted by more metro areas having clubs in at least three leagues than cities. Beyond Detroit, Columbus, and DC, the metro areas with the most TIF facility contributions or strong relations are Dallas (two direct and two strong of four facilities), Denver (two direct of four), and Salt Lake City (two direct of two).

The same cast dominates the sub federal jurisdiction list, with the caveat being that relatively few jurisdictions have multiple major league markets. Not surprisingly, California leads the way with five direct TIF using facilities (out of 11 eligible), followed by Michigan (three of three), Texas (three of nine), Utah (two of two), Colorado (two of four), Ohio (two of seven), and another five jurisdictions with one facility (Alberta, Kansas, Missouri, Washington DC, and Wisconsin). Of these five, two used TIF on the only eligible facility in the jurisdiction (Alberta and Kansas). When strong connections are included, Florida (three), Tennessee (two), Ohio (two beyond direct contributions) are also notable, with one strong connection (or

additional strong connection) also found in each of Illinois, Indiana, Missouri, Washington DC, and Wisconsin.

The list of jurisdictions with a significant number of venues not using direct TIF funding is perhaps just as interesting. Jurisdictions with at least three venues and no direct TIF use are Florida, New York, Illinois, New Jersey, Pennsylvania, Ontario, Georgia, North Carolina, Washington, Massachusetts, Minnesota, Tennessee, and Arizona. This list includes 10 of the 15 largest (by population) sub federal jurisdictions in the US and Canada. While Florida and Illinois have strong connection TIF districts, the latter is one of the most prolific TIF users in the country, making the absence of direct TIF especially surprising. Conversely, Arizona does not have TIF, and Minnesota has a statutory bar on direct TIF contributions to professional sports facilities. Of the remaining jurisdictions, all of which have TIF available, Tennessee may be most worth mentioning with all three of its facilities having strong TIF connection. Although the issue of sub federal legislative impact on TIF use in major league stadia is beyond the scope of this work, this initial survey brings up broader questions concerning potential relationships between certain elements of TIF legislation and the presence or absence of facility TIF use and particular aspects of such uses.

3.4.7. Population

Cities with different populations and fiscal capacities may have a different menu of revenue generating potential with various prospective subsidy tools. There is some data to indicate that cities with smaller populations use direct TIF in venues more frequently than larger cities. However, I have not demonstrated relationships of statistical significance. While average populations are lower in direct TIF using jurisdictions in all five leagues, the medians reveal that there is a skew. These averages are most often skewed by the large populations of New York

City, Los Angeles, Chicago, and Houston. NFL populations are also skewed by four cities with populations under 25,000. MLS and the NFL are the two leagues where both the average and median populations of direct TIF using cities is lower than those not using TIF. However, with only two NFL stadiums using direct TIF, the MLS data with six of 18 stadiums using TIF is more interesting and potentially indicative of a relationship.

Table 13.
City Population ('000) (2018) and Direct TIF Use

League	Direct TIF Avg. Population	Direct TIF Median Population	Non-Direct TIF Avg. Population	Non-Direct TIF Median Population
MLS	618	170	1,006	642
MLB	993	883	1,591	694
NBA	1,172	702	1,665	683
NFL	400	400	619	429
NHL	1,059	809	1,501	471

3.5. LIMITATIONS

Given the baseline setting intent of this study, there are many limitations. These include work on associative relationships between variables and controls for non TIF influences, the consistency of collected data across a range of public and media sources, and the coding of many variables on a simple "yes or no" basis. To the extent associative relationships were evaluated, t-tests provided results outside the range of statistical significance at a 0.05 level (although some tests were near this threshold). The presence of other forms of subsidy and the statutory nuance across sub federal jurisdictions are also largely unaccounted for. Likewise there are TIF uses in minor league and college venues with major league capacity that are not reviewed.

3.6. IMPLICATIONS

This chapter has documented the extent to which TIF has become a significant means of public finance for major league sports venues in North America, as well as a frequent presence

alongside redevelopment projects associated with stadiums and arenas. A primary purpose of this chapter is to provide a previously missing general reference resource to governments and citizens of jurisdictions considering facility TIF use on the scope, nature, extent, and identity of TIF projects related to major league sports venues. To this end, this chapter has found that over 30% of the 125 permanent stadiums and arenas studied in the five major leagues have a direct or strong TIF connection. Further, total direct TIF usage totaled over $1.8 billion in 2017 dollars. Where direct TIF was present, TIF averaged 24.4% of total capital costs and 60.3% of public capital costs.

Direct TIF contributions to sports facilities, as well as TIF use intended to generate real estate development around these venues, are most frequent and financially significant in arenas and soccer specific stadiums. Additionally, arena and stadium projects using TIF often accompany ancillary real estate development. More generally, the inventory and assessment of TIF use in professional sports venues offered by this chapter provide a basis for the rest of this dissertation as well as future research on associative relationships between TIF contributions and venue finance outcomes.

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CHAPTER 4. A SURVEY AND DISCUSSION OF TIF STATUTES AND MAJOR LEAGUE VENUES

4.1. PURPOSE

This chapter undertakes a comparative analysis of TIF statutes in 34 American jurisdictions (33 states and the District of Columbia) where major league professional sports are present, or the capacity to host major league sports exists. While other chapters overview venue related TIF projects at the unit level, an analysis of individual projects with the intent of finding larger trends cannot be viewed in a statutory vacuum. Accordingly, this chapter aims to set a baseline status of TIF statutes in jurisdictions where there are, or the capacity exists for, professional sports teams in the five major North American leagues. After a brief discussion of the literature gap, as well as the methodology used in this particular study, I proceed to covering 42 TIF statute variables across 10 categories in 34 jurisdictions. In addition to a broader discussion of what the presence or absence of a variable means for a TIF statute, I apply this analysis to the venue context.

In particular, this chapter finds that a lowest common denominator TIF statute – where at least 25 jurisdictions agree upon a particular element – will allow both municipalities and counties to initiate TIF districts after public hearing, and allocate property tax increments to area wide zones and specific projects. While bonds and pay-as-you-go may be used, TIF will be limited to public improvements such as infrastructure, land acquisition, and site preparation. The

absence of sales TIF and funding of private improvements severely limits the scope of potential venue TIF, with the latter creating another incentive for public ownership of sports venues.

4.1.1. The Existing Gap

As noted in Chapter 2, the legal TIF sub-literature is light on broad comparison pieces concerning statutory mechanics and there is no work that applies a comparative survey of statutory mechanics to the sports venue context. Thus, this project is intended to address both gaps in a complementary way. The primary previous academic survey of TIF statutes was published by Johnson and Kriz in 2001, writing from a public administration as opposed to legal perspective. As the Johnson and Kriz study repeatedly cites 1997 as a date of reference, and the data set still included the Arizona TIF statute repealed in 1999, it is likely that the review underpinning their survey is at least 20 years old at writing. Indeed the two states noted as not having TIF at the time, Delaware and North Carolina, now do.

While this project shares significant conceptual overlap with Johnson and Kriz (2001), it is not intended to be a direct update. First, seeing that this study intends to serve a larger venue focused TIF work, I focus on only 34 jurisdictions with the deemed capacity to host a club from one of the five major professional sports leagues. Second, although many of the same variables are collected in both studies, this study collects more and somewhat different variables. Third, Johnson and Kriz do not provide methodology on review and interpretation. While some elements can easily be reduced to a "yes or no" proposition, in many instances (and as made evident in the discussion of individual variable outcomes) even within a "yes or no" bifurcation, there is subjective nuance that goes into categorization. As I cannot replicate the initial methods of Johnson and Kriz, an attempt to include point in time comparison between 1997 and 2017

would be inherently flawed. For these primary reasons, this study focuses on the review described in the methods below.

4.2. METHODOLOGY

Since TIF is a financial and policy instrument exclusively operationalized through state and local taxes and does not exist at the federal level, state TIF statutes govern the parameters and jurisdiction of TIF in the United States. This paper primarily evaluates 10 categories of TIF statute elements in the 27 states (plus the District of Columbia) where the five major professional sports leagues operate clubs: California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, Utah, Washington, and Wisconsin. While Arizona has major league teams in four sports, the state has not reintroduced TIF since its 1999 repeal.

The data set also includes six states where there are not currently major professional sports teams resident, but these states are deemed to have the potential to host a major league team. This potential is defined in one of two ways: first, immediate proximity to an urban area in another jurisdiction that is home to a major league team, or second, having a metro market with sufficient population to support a major league team based upon characteristics of existing smaller market teams and expansion candidates. The first category includes Delaware (Philadelphia), and Virginia (Washington DC), while the second contains Alabama (Birmingham), Connecticut (Hartford), Kentucky (Louisville), and Rhode Island (Providence). The 10 categories of TIF statute characteristics are: taxation sources that can be captured, permissible accompanying purposes, approval sources, forms of financing, requirements for a

TIF district, type of TIF district available, permissible uses of TIF for public improvements, permissible uses of TIF for private improvements, permissible land uses, and TIF district lifespans.

Data was compiled for 42 variables for all jurisdictions in the data set from a review of state TIF statutes, annotated sources, law review and other academic articles, law firm and policy documents, and resources from the Council of Development Finance Agencies. Given the breadth of this study, variables were coded primarily as "yes or no" propositions, although many variables are again conceptualized in such a way that a spectrum of strength is more appropriate. However, as the objective of this chapter is to provide a general survey of larger trends across states, variables have been coded as to best facilitate this goal. Still, the potential for oversimplification as a trade-off for a cohesive state-level discussion, is a notable limitation.

4.3. WHAT TAXES CAN BE CAPTURED BY TIF?

While TIF is most commonly associated with real property taxation, there are non-property forms of TIF as well, such as sales and income taxes. Some states also allow for PILOTs (Payments In-Lieu of Taxes) to be captured through TIF. For the professional sports facility context, sales taxes and PILOTs are most relevant. This study does not collect data on income or payroll-based TIF as these amounts are relatively insignificant in comparison to the financial impact the included sources can have.

Table 14.
Allowable TIF Capture Source by Jurisdiction

Jurisdiction	Property Tax	Sales Tax	PILOTs
Ariz.	N/A	N/A	N/A
Cal.	Y	N	N
Colo.	Y	Y	Y
D.C.	Y	Y	N
Fla.	Y	N	N

Ga.	Y	N	Y
lll.	Y	Y	N
Ind.	Y	N	Y
Kan.	Y	Y	Y
La.	Y	N	N
Md.	Y	N	N
Mass.	Y	N	N
Mich.	Y	N	N
Minn.	Y	Y	N
Mo.	Y	Y	Y
Nev.	Y	N	N
N.J.	Y	Y	Y
N.Y.	Y	N	N
N.C.	Y	N	N
Ohio	Y	N	N
Okla.	Y	Y	N
Or.	Y	N	N
Pa.	Y	Y	Y
Tenn.	Y	Y	N
Tex.	Y	Y	N
Utah	Y	Y	N
Wash.	Y	Y	N
Wis.	Y	N	N
	27	13	7
Ala.	Y	N	N
Conn.	Y	Y	N
Del.	Y	Y	Y
Ky.	Y	Y	N
R.I.	Y	N	N
Va.	Y	N	N
	6	3	1

Not surprisingly, all states studied allow real property based TIF. Property taxes are generally controlled by local governments, and as we will see, local governments are overwhelmingly the gatekeepers of TIF projects and areas. Thus, property taxes are the logical first tool of choice when it comes to TIF. The many variants of property TIF will be discussed at length throughout this paper.

After property TIF, the next most common form of TIF uses sales or consumption taxes. However sales tax-based TIF is not as widespread. Only 13 of 28 jurisdictions with major league teams, and a further three of six potential host states, have sales taxes available for TIF capture. There are two primary reasons why sales TIF is less common than real property TIF. First, sales taxes are mostly imposed at the state level. While counties and cities may have the ability to levy their own additional sales tax points, even where this power is present, the local share of sales tax is in most cases only a fraction of the total sales tax. Thus, if TIF is applied to sales taxes, the effect is the diversion of primarily state revenues for local government projects (Smith, 2009). Accordingly, many state legislatures are unwilling to lose both control and agency over significant revenue sources. Even where legislatures are willing to provide for sales TIF use, this use might be more restrictive than revenues generated through property taxes.

Secondly, sales TIF is far more volatile and risky than real property based TIF (2009). Whereas sharp declines in real property in short periods are relatively rare events, similarly severe declines in sales tax receipts are less so. Combined with the ability of sales taxes to often generate significantly more revenue than property taxes, projections reliant on sales TIF are married to the whims of consumer spending, which itself is more subject to the pitfalls of recession, business failure, and business movement. For instance, when a retail business leaves a TIF zone, it is possible that the building they leased will lose some of its assessed value, but most of the value is in the land and improvements. However with sales TIF, if a business leaves without quick replacement, that departure can create a massive hole in TIF revenue and potentially wipe out otherwise solid incremental gains from other businesses in the zone (2009).

The relocation aspect is further focused from a TIF district maximization perspective. While the inclination of TIF authorities may be to capture as large of a geographic area as

possible, such capture brings the risk that sales TIF revenues are hostage to business activities far away from the facility (see Sroka, 2019). Additionally, this may result in a TIF project that is simply predatory on impacts that have little to do with the facility or related project that TIF revenues are being diverted to fund, in turn being a drag on general revenues. For these reasons, there are often more substantial restrictions placed on sales TIF. In some states, there will be claw-back provisions whereby the percentage of increment captured by TIF will decrease. In other states, sales TIF may be limited to certain projects and state participation may be negotiated or represent a further procedural hurdle. Indiana (Stafford, 2017) and Kentucky (KEDFA, 2008) have specifically used such structures in the sports facility context.

Applied to a sports venue, sales TIF has the potential to be a large source of revenue, especially if the TIF zone includes significant established retail. The relative impact of sales to property TIF depends on the existing and planned economic activities in the TIF zone, as well as the project specific objectives that TIF is intended to pay for. In some instances, the nature of local activity on its face lends itself towards sales TIF. For instance in Kentucky (and later discussed in the Louisville case study), bonds for the NBA sized downtown arena were intended to be roughly one-third repaid through TIF and the ratio of sales to property TIF generated has been in the range of 10 to 1 (2008, 9). However this is not to say that property TIF is incapable of being a primary source of facility finance – in Michigan for instance, property TIF has been sufficient to fund hundreds of millions in public contributions to Little Caesars Arena, discussed in the Detroit case study.

The third part of the revenue source story are PILOTs. PILOTs are payments made pursuant to an agreement by property owners who have been exempted from local property taxes. These payments are often securitized and offered as bonds. PILOTS are a common local

economic development subsidy whereby a local government will agree to a PILOT that would have been far less than property taxes in order to attract or retain development activity (Kenyon and Langley, 2010). Much of the literature classifies PILOTs as a distinct but closely related form of subsidy relative to TIF – considering the overlap this work views them as a worthwhile inclusion from an inventory perspective.

A total of eight states in the data set allow for PILOTs to be captured through TIF. In the TIF context, those PILOT payments are simply diverted in the same way as property taxes otherwise would be, either for a specific project or a designated TIF area. In Missouri for example, PILOT increment is calculated by establishing the same baseline for TIF as with regular property taxes (Mo. Rev. Stat.). PILOTs above the baseline of what property taxes would have otherwise been become increment. Relative to the primary alternative of property TIF, PILOTs are less risky propositions as the amounts captured are known factors as opposed to projections decades out into uncertain futures.

Even where PILOTs are not explicitly permitted to be captured through TIF, PILOT arrangements share overlap. Such conceptual overlap is found in jurisdictions such as New York and the District of Columbia. In fact, PILOTs can be viewed as an alternative path of less resistance to the same financing objective in instances where TIF may require further state approval and a PILOT would not, or where bonds issued under one form would count against the state constitutional debt limit and the other would not.

The most well-known instance of PILOTs in the venue context is the issue of billions in PILOT backed, municipally tax-exempt bonds by New York City for the new Yankee Stadium and Citi Field (Gayer et al., 2016). However these deals were structured differently than a

traditional PILOT and bear less resemblance to TIF. With Yankee Stadium for instance, the land was publicly owned and the PILOT came from stadium related revenues (2016).

If more traditional PILOTs were committed to a facility project in the place of traditional property tax increment, the likely trade-off would be less gross yearly available incremental revenue for a more certain source of revenue. PILOT increment would not be directly subject to economic or neighborhood declines, but at the same time also not able to increase if the property gained assessed value beyond that predicted. Still, if TIF or revenue bonds are being issued, a predictable payment source may lead to significantly lower interest rates and a closing of the facial present value gap between the PILOT and the property assessment increment. TIF related bonds and other means of allocated captured increment will be discussed in more detail in subsequent sections.

4.4. ACCOMANYING PURPOSES

4.4.1. Special Assessment Districts

TIF is one of several local economic development tools that have some sort of district-like geographic component. Typically known as special assessment districts, these districts allow for a property mill rate to be attached to properties within the district to pay for some defined improvement. Unlike TIF, special assessments are an additional direct tax burden.

Table 15.
Jurisdictions Allowing Special Assessment District Overlap With TIF

Jurisdiction	Special Assessment Overlap Allowed
Ariz.	N/A
Cal.	Y
Colo.	Y
D.C.	Y
Fla.	Y
Ga.	Y
lll.	Y
Ind.	Y
Kan.	N
La.	Y
Md.	Y
Mass.	Y
Mich.	Y
Minn.	Y
Mo.	Y
Nev.	Y
N.J.	Y
N.Y.	N
N.C.	Y
Ohio	Y
Okla.	Y
Or.	Y
Pa.	Y
Tenn.	N/A
Tex.	Y
Utah	Y
Wash.	Y
Wis.	Y
	24
Ala.	Y
Conn.	Y
Del.	Y
Ky.	Y
R.I.	N/A
Va.	Y
	5

Often associated with sewer, road, or other localized infrastructure, the rationale is that the additional tax mill will result in property appreciation for the properties paying the mill (see Hoyt, 2005). In the commercial context, business improvement districts are frequently used for any number of projects within a concentrated retail area, including capital improvements, streetscape beautification, security, and marketing (2005). These districts often allocate funds to many of the same purposes as TIF zones, but will be petitioned for and approved by the property owners.

Twenty-nine jurisdictions in the data set allow special assessment districts to overlap with TIF zones. Often these overlapping districts will have different boundaries, governing structures, and statutory restrictions on funding use. However, if well-coordinated, dual funding sources can be leveraged to have a complementary impact. For instance, the model of urban redevelopment in Dallas – the Uptown district – benefitted from overlaying both TIF and a business special assessment district (Allison, 2014).

In the venue context, a special assessment district would most likely overlap with a commercial and retail strip within a facility TIF zone. Special assessments are unlikely to generate the gross return that TIF would, and most states have restrictions on property owners being assessed for the sole apparent benefit of a neighboring property owner (the stadium or arena) unless the assessment was on lands owned by the same parties as the facility and the assessment was a negotiated component of the facility deal. Thus special assessments would more likely be dedicated to improvements that would benefit all parcels within the district and those that would be most attractive to commercial enterprises – such as beautification, streetscape, and branding.

4.4.2. Eminent Domain

Eminent domain often accompanies major redevelopment and local economic development projects. These projects can require swaths of contiguously assembled land and property owners on required lands either may not be willing to sell, or wish to extract a premium well beyond the market value of their land absent the redevelopment project. To solve this holdout problem, jurisdictions with the power of eminent domain will exercise their power to expropriate and assemble land. Accordingly, eminent domain can be one of the building blocks that allows for a viable TIF project in the first place.

Table 16.
Jurisdictions Allowing Eminent Domain to be Used With TIF

Jurisdiction	Eminent Domain Use Allowed With TIF
Ariz.	N/A
Cal.	Y
Colo.	Y
D.C.	N
Fla.	N
Ga.	N
lll.	Y
Ind.	Y
Kan.	Y
La.	N/A
Md.	N
Mass.	Y
Mich.	Y
Minn.	Y
Mo.	Y
Nev.	Y
N.J.	Y
N.Y.	Y
N.C.	Y
Ohio	Y
Okla.	N
Or.	Y

Pa.	Y
Tenn.	Y
Tex.	N
Utah	Y
Wash.	N
Wis.	Y
	19
Ala.	Y
Conn.	Y
Del.	Y
Ky.	Y
R.I.	Y
Va.	Y
	6

Some 25 jurisdictions in the data set allow for TIF to be combined with eminent domain. Previous works have noted parallels and complements between state TIF statutes and urban renewal acts (Mead and Cole, 1998). Conceptually, the overlap between eminent domain and TIF is often a finding of blight, and the need for public intervention to rectify the issue. In the wake of 2005's *Kelo v. New London*, more explicit leeway was provided to the combination of TIF and eminent domain. *Kelo* saw the Court affirm expropriation and transfer to another private owner for an economic development purpose with a public benefit. For public bodies looking to assemble land for large scale redevelopment projects, *Kelo* has been a boon.

The new scope granted by *Kelo* however, has been at least somewhat reined in by many states. Within two years of *Kelo*, 41 states passed laws purported to restrict the use of eminent domain. Many of these post-*Kelo* legislative actions were similar in nature to those found in Kansas (Kan. Stat. Ann. § 26-501):

> **K.S.A. 26-501a. Eminent domain; limited to public use; transfer to private entity prohibited; exception.**
>
> On and after July 1, 2007: (a) Private property shall not be taken by eminent domain except for public use and private property shall not be taken without just

> compensation. (b) The taking of private property by eminent domain for the purpose of selling, leasing or otherwise transferring such property to any private entity is prohibited except as provided in K.S.A. 2009 Supp. 26–501b, and amendments thereto.

Others actions were even more to the point, such as the successful 2006 ballot measure amending the *Florida Constitution*:

> **SECTION 6. Eminent Domain. –**
> Private property taken by eminent domain pursuant to a petition to initiate condemnation proceedings file donor after January 2, 2007, may not be conveyed to a natural person or private entity except as provided by general law passed by a three-fifths vote of the membership of each house of the Legislature.

However, Byrne's 2016 analysis found only 20 states that had functionally restrictive eminent domain provisions as qualified by two conditions: the barring of economic development grounds for eminent domain, and the absence of significant exemptions from this prohibition for instances of blight. Using this test, the Kansas statute did not qualify, but the Florida amendment did. Yet even where there were functionally restrictive eminent domain provisions, this was not necessarily indicative of lessened eminent domain use – the two states with the most instances of eminent domain use (Florida and Pennsylvania) fell in the functionally restrictive category (Byrne, 2016). These outcomes can be seen through the tension of strong post-*Kelo* support for legislative action to preclude eminent domain for private economic development purposes, and the propensity for lawmakers at the state and local level to see policy value in such takings.

Applied to the venue TIF context, there are several practical implications based on whether a state has a functionally restrictive eminent domain framework or not. In a functionally restricted eminent domain jurisdiction, the venue itself is more likely to be publicly owned as sufficient land for the facility will be that much harder to assemble. The venue parcels will also not be as useful for TIF on immediately ancillary development as publicly owned property will be tax exempt and not come with a PILOT payment. Sales TIF on these parcels would be

possible assuming this venue was in a sales TIF permitting state. While property TIF could still be effective on parcels in blocks surrounding the facility, again, assembling these blocks for a private purpose that could maximize assessed values is more challenging. Thus reaching the full assessment potential is made more difficult and the time horizon required to assemble land to reach a higher assessment potential (with more increment created) is lengthened.

4.5. TYPE OF TIF DISTRICT AVAILABLE

There are two primary types of TIF districts available: area wide and project specific. 30 jurisdictions in the data set allow area wide TIF and all but three permit site specific TIF. The former is the more traditional concept and entails designating a geographic area of between several blocks and several miles. Within this geography, increment will be captured and assigned to projects in the same area. The project TIF alternative is simply the limiting of the district geography to a single parcel, or a single site of several parcels. A project specific TIF zone is generally less ambitious in terms of public improvements and less fiscally risky in that a more limited number of parcels will have increment diverted out of general revenues.

Project specific TIF is likely to entail a negotiated agreement with a single developer, whereby increment generated from the project will be reinvested in the project or paid back to the developer as a subsidy. Alternatively, a jurisdiction may create a project TIF zone for a large development that would otherwise have been constructed anyway, knowing that the project will create substantial increment, and then funnelling that increment to other nearby projects. The benefit of this latter structure is that money can be diverted to a project through TIF that may otherwise struggle to pass via general appropriation from democratically accountable representatives.

Table 17.
Jurisdictions Allowing Area Wide and Project Specific TIF

Jurisdiction	Site Specific	Area Wide
Ariz.	N/A	N/A
Cal.	Y	N
Colo.	Y	Y
D.C.	Y	Y
Fla.	Y	Y
Ga.	Y	Y
lll.	Y	Y
Ind.	Y	Y
Kan.	Y	N
La.	Y	Y
Md.	N	Y
Mass.	Y	Y
Mich.	Y	Y
Minn.	Y	N
Mo.	Y	Y
Nev.	Y	Y
N.J.	Y	Y
N.Y.	Y	Y
N.C.	Y	Y
Ohio	Y	Y
Okla.	Y	Y
Or.	Y	Y
Pa.	Y	Y
Tenn.	Y	Y
Tex.	Y	Y
Utah	Y	Y
Wash.	Y	Y
Wis.	Y	Y
	26	24
Ala.	Y	Y
Conn.	Y	Y
Del.	Y	Y
Ky.	Y	Y
R.I.	Y	Y
Va.	N	Y
	5	6

There is potential for both area wide and project specific TIF to be used in a venue related project. The form of TIF district used will depend on the broader deal negotiated between the club controlling parties and the involved local and state governments, as well as state law more broadly. For instance, functional restrictions on eminent domain and private use may prevent the facility project from being privately owned and thus within a TIF zone, meaning that increment would have to be captured from an area TIF district. An area TIF district could likewise be attractive to divert more increment to the facility project without a direct appropriation from the general fund. Alternatively, project specific TIF could be used as a policy tool to throw-in a subsidy that is limited to the project parcels, with the intention of closing a deal-making bargaining gap, but stopping short of capturing neighboring activity.

4.6. TIF DISTRICT APPROVAL AUTHORITY

There are generally two distinct aspects to TIF approval: district creation and approval of what projects TIF funds may be directed to within a TIF district. With the former, there are four primary potential governmental approval authorities: municipalities, counties, redevelopment authorities, and state governments. All jurisdictions in the data set allow municipalities to approve TIF districts, while counties are approving authorities in 24 states. A further six states allow for redevelopment or other similar public authorities to approve TIF districts. Few states however are themselves TIF district approving authorities – instead, state legislatures enable local bodies to approve TIF, although coding this variable is a grey area as legislation may be designed in order to limit the scope of approval and have de-facto approval control (such as certain TIF creation schemes later detailed in Kentucky and Michigan).

Table 18.
TIF Creation Authorities by Jurisdiction

Jurisdiction	Creation City	Creation County	Creation State	Creation Redev. Authority
Ariz.	N/A	N/A	N/A	N/A
Cal.	Y	Y	N	N
Colo.	Y	N	Y	N
D.C.	Y	N	N	N
Fla.	Y	Y	N	N
Ga.	Y	Y	N	N
lll.	Y	N	N	N
Ind.	Y	Y	N	N
Kan.	Y	N	N	N
La.	Y	Y	N	N
Md.	Y	Y	N	N
Mass.	Y	N	N	N
Mich.	Y	Y	N	Y
Minn.	Y	Y	N	Y
Mo.	Y	Y	N	N
Nev.	Y	Y	N	Y
N.J.	Y	N	N	N
N.Y.	Y	Y	N	Y
N.C.	Y	Y	N	N
Ohio	Y	Y	N	N
Okla.	Y	Y	N	N
Or.	Y	Y	N	Y
Pa.	Y	Y	N	N
Tenn.	Y	Y	N	Y
Tex.	Y	Y	N	N
Utah	Y	Y	N	N
Wash.	Y	Y	N	N
Wis.	Y	N	N	N
	27	20	1	6
Ala.	Y	Y	N	N
Conn.	Y	N	N	N
Del.	Y	Y	N	N
Ky.	Y	Y	N	N
R.I.	Y	N	N	N
Va.	Y	Y	N	N
	6	4	0	0

The distribution of TIF creation authorities reflects TIF's status as an instrument of local economic development. The presence of redevelopment authority TIF indicates that local governments have the option to shelter both financial and political risk within a purpose built public corporation. These redevelopment and similar authorities are generally entrusted with facilitating local economic development with significant autonomy relative to keeping functions within the bureaucracy of local governments. Redevelopment authorities also protect local governments from transactions gone wrong as TIF obligations are generally limited to the assets of that authority.

The relative role of municipalities and counties in TIF district creation may also depend on the taxation powers respectively enumerated to each government by the state legislature, as well as their comparative political priorities. In some states, a county may have more capacity to generate increment and in others, relatively little. Likewise, the political coalitions in a county may lead to certain projects being more or less feasible than they would be in a municipality – a county may have greater fiscal capacity to direct increment, but a municipality may have more political will to direct increment to a particular project within its boundaries as it will be closer to the perceived benefits.

In other instances, state legislation may allow for counties or cities to participate in one another's TIF projects, providing an impetus for one jurisdiction (typically the city) to make the project attractive to the other with the objective of capturing the increment from both jurisdictions. In Texas, for example, counties can choose to participate and allocate their increment to municipally created TIF districts, which allows counties to have strong effective policy influence (Dallas Department of Planning and Development, 2016).

This dance of fiscal capacity and political will is often operationalized in the stadium deal context more generally – depending on the state legislative framework and the corresponding ability and will to pay, a facility may be primarily funded by a country, a city, or a partnership of both (see Long, 2013). The same dynamics can be viewed for TIF related facility projects, although preliminary data on these projects finds a greater trend toward municipally centered projects where there may be overlaying county participation. There are also instances of redevelopment authority TIF districts being used in venue development.

4.6.1. TIF District Project Authority

Once a TIF district is established, authority then shifts to the bodies entrusted to spend captured increment on projects. Responsibility for project approval and allocation addresses the control, autonomy, and ongoing political oversight of a TIF district. There are five primary potential governmental or semi-governmental options through which state TIF statutes delegate the power to approve TIF projects: municipalities, counties, states, redevelopment authorities, and TIF commissions. The new category of TIF commissions, generally consists of a board created alongside the TIF district, which is then delegated the administrative and operational functions from the point of creation.

Twenty-seven jurisdictions allow municipalities to control TIF projects, while counties have the same broad powers in 18 states. Unlike with TIF district creation, six states permit the state to retain TIF project authority. Meanwhile, 12 states provide redevelopment and similar authorities the power to oversee TIF project selection and allocation. Finally, six states allow TIF commissions to determine how increment is directed.

Table 19.
TIF Project Authorities by Jurisdiction

Jurisdiction	Project City	Project County	Project State	Project Redev. Authority	Project TIF Commission
Ariz.	N/A	N/A	N/A	N/A	N/A
Cal.	N	N	N	Y	N
Colo.	N	N	N	N	Y
D.C.	Y	N	N	N	N
Fla.	Y	Y	N	Y	N
Ga.	Y	Y	N	Y	N
lll.	Y	N	N	N	N
Ind.	Y	N	N	N	Y
Kan.	Y	Y	Y	N	N
La.	N	N	N	N	Y
Md.	Y	Y	N	N	N
Mass.	Y	N	Y	N	N
Mich.	Y	N	Y	Y	N
Minn.	Y	N	N	Y	N
Mo.	Y	Y	N	N	N
Nev.	Y	Y	N	Y	N
N.J.	Y	N	Y	N	N
N.Y.	Y	Y	N	Y	N
N.C.	N	N	N	N	Y
Ohio	Y	Y	N	N	N
Okla.	Y	Y	N	N	N
Or.	Y	Y	N	N	N
Pa.	N	N	N	Y	N
Tenn.	Y	Y	N	N	Y
Tex.	Y	Y	N	N	N
Utah	Y	Y	Y	Y	N
Wash.	Y	Y	N	N	N
Wis.	Y	N	N	Y	N
	22	14	5	10	5
Ala.	Y	Y	N	N	N
Conn.	Y	N	Y	N	N
Del.	Y	Y	N	N	N
Ky.	Y	Y	N	N	N
R.I.	N	N	N	Y	N
Va.	Y	Y	N	Y	Y
	5	4	1	2	1

4.7. REQUIREMENTS FOR A TIF DISTRICT

States can have any number of pre-requisites for a TIF district. This study evaluates five of the more common requirements: blight, but-for, public hearings, feasibility or property condition analysis, and financial or cost-benefit analysis.

Table 20.
Requirements for a TIF District by Jurisdiction

Jurisdiction	Blight	Quantitative Blight	But-for	Public Hearing	Feasibility or Condition Study	Financial impact or cost-benefit analysis
Ariz.	N/A	N/A	N/A	N/A	N/A	N/A
Cal.	Y	N	N	N	N	N
Colo.	Y	N	N	Y	N	Y
D.C.	N	N	Y	N	Y	Y
Fla.	Y	Y (Partial)	N	Y	Y	N
Ga.	N	N	N	Y	N	N
Ill.	Y	Y (Partial)	Y	Y	N	N
Ind.	Y	N	N	Y	Y	N
Kan.	N	N	N	Y	Y	Y
La.	N	N	N	Y	N	N
Md.	N	N	N	Y	N	N
Mass.	N	N	N	Y	Y	N
Mich.	N	N	Y	Y	Y	Y
Minn.	Y	Y (Partial)	Y	Y	Y	N
Mo.	Y	N	Y	Y	N	Y
Nev.	Y	N	N	N	N	N
N.J.	N	N	Y	Y	Y	Y
N.Y.	Y	N	Y	Y	Y	Y
N.C.	Y	N	Y	Y	N	N
Ohio	Y	N	N	N	N	N
Okla.	Y	Y (Partial)	Y	Y	Y	N
Or.	Y	Y (Partial)	N	Y	Y	Y
Pa.	Y	Y (Partial)	N	Y	Y	N
Tenn.	Y	N	N	N	N	N
Tex.	Y	N	Y	Y	Y	N
Utah	Y	Y (Partial)	N	Y	Y	N
Wash.	N	N	Y	Y	N	N
Wis.	Y	N	N	Y	Y	N
	18	7	11	22	15	8
Ala.	Y	N	N	Y	N	N
Conn.	N	N	N	Y	N	N
Del.	N	N	Y	Y	Y	N

Ky.	Y	N	Y	Y	N	Y
R.I.	Y	N	Y	N	N	N
Va.	N	N	N	N	N	N
	3	0	3	4	1	1

4.7.1. Blight

Blight is at the conceptual core of TIF's redevelopment roots. Blight stems from the concept of urban blight or decay, broadly speaking, a process entailing a general and visible neglect of the physical environment. This visible component is often accompanied by quantifiable measures such as resident and firm departures, unemployment, crime rates, and tax base deterioration. In many respects, the need for the presence of blight is what separates a TIF framework from being an instrument of redevelopment and merely a general development subsidy.

Twenty-one states in the data set have some sort of blight requirement for TIF designations. Most commonly, blight in TIF statutes includes the designation of the area as an economic, social, or public health liability. More specifically, a blight definition may require one or some combination of the following to be present: deteriorating or obsolete structures, unsafe conditions, vacant lots, assessment delinquency exceeding land value, environmental contamination, and inadequate infrastructure.

Permissive definitions allow blight to be satisfied by meeting one of a laundry list of blight qualifiers in the subjective and qualitative opinion of the TIF creation authority. The definition of blight in the Tennessee Code is a strong example:

> Blighted areas are areas, including slum areas, with buildings or improvements that, by reason of dilapidation, obsolescence, overcrowding, lack of ventilation, light and sanitary facilities, deleterious land use, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community. Welfare of the community does not include solely a loss of property value to surrounding

> properties, nor does it include the need for increased tax revenues. Under no circumstance shall land used predominantly in the production of agriculture, as defined by § 1-3-105, be considered a blighted area.

Although farmland is explicitly exempted, and more than property value loss is required, it would not be difficult for any TIF creation authority in a non-rural area to meet one of the conditions, and thus find blight. A particularly creative TIF authority could even extend a TIF district in an otherwise not blighted area, to include parcels that would meet the blight definition, thus making the TIF district itself "blighted".

Other states have somewhat less permissive definitions that require multiple elements to be met for a blight designation. This list of elements is typically accompanied by a chapeau clause. Exemplifying this structure, Florida requires 2 of 15 possible conditions (Florida Statutes, 2017):

> (8) "Blighted area" means an area in which there are a substantial number of deteriorated or deteriorating structures; in which conditions, as indicated by government-maintained statistics or other studies, endanger life or property or are leading to economic distress; and in which two or more of the following factors are present:
> (a) Predominance of defective or inadequate street layout, parking facilities, roadways, bridges, or public transportation facilities.
> (b) Aggregate assessed values of real property in the area for ad valorem tax purposes have failed to show any appreciable increase over the 5 years prior to the finding of such conditions.
> (c) Faulty lot layout in relation to size, adequacy, accessibility, or usefulness.
> (d) Unsanitary or unsafe conditions.
> (e) Deterioration of site or other improvements.
> (f) Inadequate and outdated building density patterns.
> (g) Falling lease rates per square foot of office, commercial, or industrial space compared to the remainder of the county or municipality.
> (h) Tax or special assessment delinquency exceeding the fair value of the land.
> (i) Residential and commercial vacancy rates higher in the area than in the remainder of the county or municipality.
> (j) Incidence of crime in the area higher than in the remainder of the county or municipality.
> (k) Fire and emergency medical service calls to the area proportionately higher than in the remainder of the county or municipality.

(l) A greater number of violations of the Florida Building Code in the area than the number of violations recorded in the remainder of the county or municipality.
(m) Diversity of ownership or defective or unusual conditions of title which prevent the free alienability of land within the deteriorated or hazardous area.
(n) Governmentally owned property with adverse environmental conditions caused by a public or private entity.
(o) A substantial number or percentage of properties damaged by sinkhole activity which have not been adequately repaired or stabilized.

Although somewhat less subjective than the Tennessee-style definition, again there should be few problems in manufacturing a blight finding if desired.

The Florida definition is also useful for exemplifying the entry level partial quantitative blight test. Seven states in the data set have a form of quantitative blight finding, meaning that some mathematical calculation and objective threshold is required for at least an aspect of a blight provision. The five quantitative Florida blight conditions (b, g, h, i, and l) are fairly representative of basic quantitative blight provisions in other states.

Illinois' Municipal Code has a similar structure to Florida, but its quantitative condition has more depth:

74.4 ILCS Illinois Municipal Code.
(F) The total equalized assessed value of the proposed redevelopment project area has declined for 3 of the last 5 calendar years prior to the year in which the redevelopment project area is designated or is increasing at an annual rate that is less than the balance of the municipality for 3 of the last 5 calendar years for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for 3 of the last 5 calendar years prior to the year in which the redevelopment project area is designated.

As seen in the Florida conditions (Fla. Stat. § 163.330-463), quantitative methods of determination are not necessarily complicated. Even where there are more complex tests (such as in Illinois), the statute allows these hurdles to be avoided through alternative conditions. In fact, many projects passing the purely subjective blight definitions (such as Tennessee's) may easily meet basic (and more advanced) quantitative measures as well. However, even basic quantitative

means that are independently verifiable and transparent, can provide a check on TIF over-proliferation.

The most restrictive blight test is likely found in Utah. The Utah statute has both a restrictive and often quantitatively defined conception of blight, and a requirement for a "blight study". Blight in Utah Code is defined as:

> **Conditions on board determination of blight -- Conditions of blight caused by the participant.**
> (1) A board may not make a finding of blight in a resolution under Subsection 17C-2-102(1)(a)(ii)(B) unless the board finds that:
> (a)
> (i) the proposed project area consists predominantly of nongreenfield parcels;
> (ii) the proposed project area is currently zoned for urban purposes and generally served by utilities;
> (iii) at least 50% of the parcels within the proposed project area contain nonagricultural or nonaccessory buildings or improvements used or intended for residential, commercial, industrial, or other urban purposes, or any combination of those uses;
> (iv) the present condition or use of the proposed project area substantially impairs the sound growth of the municipality, retards the provision of housing accommodations, or constitutes an economic liability or is detrimental to the public health, safety, or welfare, as shown by the existence within the proposed project area of at least four of the following factors:
> (A) one of the following, although sometimes interspersed with well maintained buildings and infrastructure:
> (I) substantial physical dilapidation, deterioration, or defective construction of buildings or infrastructure; or
> (II) significant noncompliance with current building code, safety code, health code, or fire code requirements or local ordinances;
> (B) unsanitary or unsafe conditions in the proposed project area that threaten the health, safety, or welfare of the community;
> (C) environmental hazards, as defined in state or federal law, that require remediation as a condition for current or future use and development;
> (D) excessive vacancy, abandoned buildings, or vacant lots within an area zoned for urban use and served by utilities;
> (E) abandoned or outdated facilities that pose a threat to public health, safety, or welfare;
> (F) criminal activity in the project area, higher than that of comparable nonblighted areas in the municipality or county; and
> (G) defective or unusual conditions of title rendering the title nonmarketable; and

(A) at least 50% of the privately-owned parcels within the proposed project area are affected by at least one of the factors, but not necessarily the same factor, listed in Subsection (1)(a)(iv); and
(B) the affected parcels comprise at least 66% of the privately-owned acreage of the proposed project area; or
(b) the proposed project area includes some or all of a superfund site, inactive industrial site, or inactive airport site.
(2) No single parcel comprising 10% or more of the acreage of the proposed project area may be counted as satisfying Subsection (1)(a)(iii) or (iv) unless at least 50% of the area of that parcel is occupied by buildings or improvements.
(3)
(a) For purposes of Subsection (1), if a participant involved in the project area development has caused a condition listed in Subsection (1)(a)(iv) within the proposed project area, that condition may not be used in the determination of blight.

Yet the satisfaction of the blight definition is only one aspect that the blight study must satisfy:

(1) Each blight study required under Subsection 17C-2-102(1)(a)(i)(A) shall:
(a) undertake a parcel by parcel survey of the survey area;
(b) provide data so the board and taxing entity committee may determine:
(i) whether the conditions described in Subsection 17C-2-303(1):
(A) exist in part or all of the survey area; and
(B) qualify an area within the survey area as a project area; and
(ii) whether the survey area contains all or part of a superfund site, an inactive industrial site, or inactive airport site;
(c) include a written report setting forth:
(i) the conclusions reached;
(ii) any recommended area within the survey area qualifying as a project area; and
(iii) any other information requested by the agency to determine whether an urban renewal project area is feasible; and
(d) be completed within one year after the adoption of the survey area resolution.

The Utah blight study requirements close much of the gap for expansionism. Yet, these more onerous requirements create a transaction cost that may impact the feasibility in the first place. Beyond ensuring that blight is truly present, high transaction cost hurdles may be designed in part to dissuade projects that cannot generate sufficient increment for the project financial cost-benefit to make sense after start-up expenses. It is also worth noting that many of the

reporting requirements found in the Utah blight sections may be to a certain extent found in financial or cost-benefit analysis provisions in other state TIF frameworks.

For an urban stadium, arena, or ancillary real estate project, blight is unlikely to be a major obstacle in most states. Even where there are more restrictive quantitative blight conditions, the size of the project will mute the impact of transaction costs, and most projects are likely to satisfy blight anyway. For suburban facilities however, a blight finding may be harder to substantiate.

4.7.2. But-for

After blight, but-for is the second primary traditional TIF requirement. In the TIF context, but-for typically means that absent TIF, real estate development would not occur, would not occur as quickly, or would bring less fiscal benefit to the implementing jurisdiction. Despite its conceptual role alongside blight, only 14 jurisdictions in the data set have direct but-for requirements. However, even where there is no state requirement, sometimes local authorities can add one. Further (and discussed later), some other states have requirements for cost-benefit or fiscal impact studies that include many elements of but-for.

Depending on the jurisdiction, but-for findings can be made solely by the TIF creation authority, or based upon a project proponent signing a contract affirming that but-for the TIF subsidy, they would not undertake the project or modify the project to the extent that the costs of the change (to the taxing jurisdiction) would exceed the TIF subsidy. In either event, but-for provisions are generally framed in cost-benefit terms through comparing alternatives where the subsidy is not present. For instance, the District of Columbia's but-for requirement, determined by the District's Chief Financial Officer, is set out as follows (DC Code, 2018):

> (2) Whether the project will likely result in a net increase in the taxes payable to the District, taking into consideration income taxes, franchise taxes, real property taxes, without regard to the real property tax increment revenues to be applied to payment of the TIF bonds, sales taxes, without regard to the sales tax increment revenues to be applied to payment of the TIF bonds, parking taxes, use taxes, and other taxes, over the amount that would have been payable to the District in the absence of the project;

Minnesota's provision incorporates both the "development would not have happened" and "fiscal benefits" aspects, but delegates determinations to municipalities (Minn. Stat.):

> (2) that, in the opinion of the municipality:
> (i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and
> (ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan…

This local subjectivity problem has been mitigated against in Wisconsin, which requires a local TIF creation authority's finding to be studied by a Joint Review Board, composing of one member from each taxing district – typically a city, county, and school district (Wis. Stat.). While the Wisconsin statute is otherwise permissive in blight and but-for, the review board is an additional check. The review board must base its "decision to approve or deny a proposal on the following criteria":

> a. Whether the development expected in the tax incremental district would occur without the use of tax incremental financing.
> b. Whether the economic benefits of the tax incremental district, as measured by increased employment, business and personal income and property value, are insufficient to compensate for the cost of the improvements.
> c. Whether the benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing districts.

If the review board denies a proposal, the board is also required to provide written explanations as to why a criteria was not met, providing transparency and future predictability to the process (2017).

In the venue context, but-for has far more potential to pose a substantial obstacle to TIF use than blight. While jurisdictions with a but-for test left to the subjective determination of a local government eager to use TIF to close a facility related deal are not likely to see but-for represent a major hurdle, those with more restrictive tests may. Specifically, jurisdictions that require detailed financial analyses undertaken by independent actors may return findings that venue related projects do not have net fiscal or economic benefits. However in practice, even where there are but-for tests requiring financial impact calculations administered by independent experts, the TIF deal may get through – this was the case in Washington DC with the Capital One Arena renovation.

4.7.3. Public Hearings

A common element of land use approval in many states, a public hearing requirement in theory provides two things to a potential TIF project: a procedural brake and an opportunity to hold decision makers accountable. Some 26 jurisdictions in the data set require a public hearing prior to approving a TIF zone. Public hearing requirements generally require notice being sent 30 to 60 days prior to the hearing to affected property holders and any overlaying taxing jurisdictions. In some places, such as Portland, Oregon, notices will be sent to all property holders in the city (Griefer, 2005). Notices usually contain a description of the TIF plan and where the entire plan may be viewed, the time, place, and location of the hearing, as well as a representation that affected parties may be heard. A TIF project public hearing would likely be one of several public hearings in relation to a major facility project. While the hearing can slow down and bring a measure of transparency to a process, a hearing alone is not likely to be a major obstacle where political will is present.

4.8. ADDITIONAL ANALYSES REQUIRED

Nineteen jurisdictions in the data set require some form of feasibility or property condition analysis prior to TIF district creation or project approval. A non-binding feasibility study (alternatively dubbed as a financial or cost-benefit analysis) can be viewed as a softer form of but-for and a property condition analysis as a muted variety of a blight test – while many points of analysis will overlap, these studies are intended to inform decision makers as opposed to forcing their hands. However, these studies may in some jurisdictions effectively serve to satisfy state statutory but-for or blight tests.

As with many but-for requirements, feasibility study provisions will often be vague. For instance, Oregon outlines its feasibility and financial analysis requirements as follows (Or. Rev. Stat. § 457):

> (3) An urban renewal plan shall be accompanied by a report which shall contain:
> (g) A financial analysis of the plan with sufficient information to determine feasibility;
> (h) A fiscal impact statement that estimates the impact of the tax increment financing, both until and after the indebtedness is repaid, upon all entities levying taxes upon property in the urban renewal area; and
> (i) A relocation report which shall include:
> (A) An analysis of existing residents or businesses required to relocate permanently or temporarily as a result of agency actions under ORS 457.170;
> (B) A description of the methods to be used for the temporary or permanent relocation of persons living in, and businesses situated in, the urban renewal area in accordance with ORS 35.500 to 35.530; and
> (C) An enumeration, by cost range, of the existing housing units in the urban renewal areas of the plan to be destroyed or altered and new units to be added.

Other jurisdictions, such as Minnesota, require financial effects of TIF to be calculated for all potentially fiscally impacted jurisdictions (Minn. Stat.):

> **469.175 Establishing, Changing Plan, Annual Accounts.**
> (a) A tax increment financing plan shall contain:
> (6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax

> increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

Beyond vague or incomplete statutory requirements however, feasibility and cost-benefit studies, especially those on a project specific basis, will often include similar elements to those undertaken by prospective private sector developers and financial institutions considering lending to developers. They may begin with defining the local marketplace in terms of land and construction costs, location, impact of land use regulations, rents, and vacancy rates (Gromacki, 2014). From here, a cash flow projection can be developed to determine net present value and internal rates of return (2014). Then the cost of development can be estimated and compared to the developer's sources of capital to ascertain a gap (2014). This gap, and the evaluation or proof of this gap, is the core of many TIF feasibility studies (2014). Once this but-for like feasibility is satisfied, it may be complemented by evaluation of TIF as the appropriate means through which to close a development gap. This will be calculated through prediction of TIF district increment available, the value added by the project, and the increment available after project cost and/or debt coverage.

Property condition analysis typically entails tedious low level data collection about the parcels in a proposed TIF district or project. These data points can include the parcel number (or "PID"), street address, whether the parcel is improved or vacant, the property area, the improvements coverage area, the coverage ratio, the number of structures on the property, the replacement cost of structures on the property, and the survey method. If need be, this assessment can be the basis for a blight finding.

Major venue projects are almost certain to already include a number of public and private feasibility, cost-benefit, financial, and property condition analyses, both for the entire project and for any specific TIF component. These requirements may not be particularly burdensome. Where these requirements might have more of an impact however is in a transparency function if these reports are made public. As with the many venue related economic feasibility studies that have been placed into serious question, manipulated TIF studies can serve as a platform for public critique and second guessing.

4.9. FORMS OF FINANCING AND SPENDING

There are three primary forms of TIF financing: general obligation bonds, revenue bonds, and pay-as-you-go. Twenty-two jurisdictions in the data set allow for general obligation bonds to be issued based on future TIF revenues, while 29 permit the issuance of revenue or TIF bonds, and 27 have pay-as-you-go schemes.

Table 21.
Forms of Financing

Jurisdiction	Pay-as-you-go	General obligation bonds	Revenue bonds
Ariz.	N/A	N/A	N/A
Cal.	Y	N	Y
Colo.	Y	N	N
D.C.	Y	N	Y
Fla.	Y	N	Y
Ga.	Y	N	Y
Ill.	Y	Y	Y
Ind.	Y	Y	Y
Kan.	Y	Y	Y
La.	N	Y	Y
Md.	Y	N	Y
Mass.	Y	Y	Y
Mich.	Y	N	Y
Minn.	Y	Y	Y
Mo.	Y	Y	Y

Nev.	N	N	Y
N.J.	Y	Y	Y
N.Y.	Y	N	Y
N.C.	N	Y	Y
Ohio	Y	Y	Y
Okla.	N	Y	Y
Or.	Y	Y	Y
Pa.	Y	Y	Y
Tenn.	Y	Y	N
Tex.	Y	N	Y
Utah	Y	N	Y
Wash.	Y	Y	N
Wis.	N	Y	N
	22	16	23
Ala.	Y	Y	Y
Conn.	Y	Y	Y
Del.	Y	Y	Y
Ky.	Y	Y	Y
R.I.	N	Y	Y
Va.	Y	Y	Y
	5	6	6

4.9.1. General Obligation Bonds

General obligation bonds are at the same time the riskiest, highest leverage, and potentially most cost efficient TIF instrument. Instead of being limited to revenues produced by TIF, a general obligation bond is backed by the full credit of the issuer. This means that if TIF revenues are insufficient to service the bonds, the general fund of the issuing government is responsible to make up the deficit. Where TIF revenues may be volatile or predictions unreliable, these general obligations may constitute a substantial risk – if TIF falls short, it will likely be basic municipal functions that bear the cost. In jurisdictions with strong debt ratings, the potentially substantial risk of backing bonds with the general fund can result in a lower interest rate, and thus lower cost of borrowing. However, where local government bonds are closer to "junk" status, a better

interest rate may well be had through cordoning off TIF proceeds into revenue bonds. In many places however, general obligation bonds require voter approval, which can serve as a substantial political brake.

4.9.2. Revenue Bonds

TIF, PILOT, or revenue bonds are the primary debt alternative to general obligation bonds. Revenue bonds are issued in anticipation of being paid off by a particular income source, in this instance TIF. A primary benefit of revenue bonds is that the issuing jurisdiction's risk is limited to the TIF district. However, as there is no further backing from the general fund, the cost of borrowing is likely to be higher unless if the issuer has a poor credit rating. Further, even though the general fund is not formally responsible to fill an underperformance gap, many issuers will either feel political or policy pressure to make up any gap, as the jurisdiction will not want future revenue bonds to have junk status. Finally, revenue bonds have the advantage in some states of not counting against state debt ceilings.

In addition to a federal tax exemption on interest payments, TIF related bond issues more generally have the benefit of allowing TIF funded improvements to be constructed up front. If the theory is accepted that TIF improvements should spur further incremental growth beyond their financial cost, then the more quickly these improvements can be constructed, the better. However there are many instances where instead of being a self-financing proposition, TIF is a deadweight loss subsidy. The key calculation then is whether the revenue gains that can be generated by financing improvements upfront exceeds the cost of borrowing and the risk of underperformance (Weber, 2013).

4.9.3. Pay-as-you-go

Where jurisdictions find in the negative for the previous question, or are more risk adverse, or are limited by statute or policy, the primary alternative is pay-as-you-go. In most cases pay-as-you-go entails a TIF district being approved, followed by the creation of a prioritized list of TIF improvements. As increment is generated for the TIF fund, that fund will be used to allocate money to projects in the order of priority. While pay-as-you-go eliminates the previously discussed risks associated with both general obligation and revenue bonds, the generation of increment is likely to be back loaded in the later years of a TIF district, meaning that improvements intended to spur further growth may not arrive for years. In many instances, the lost increment through delayed improvements may well exceed the borrowing cost up front.

To solve this potential loss problem, some jurisdictions allow for developer reimbursement. Here a private developer will pay for improvements upfront with the promise of being repaid from the TIF fund as increment is generated. Usually the developer's costs will be included in their larger project loans. Thus the above mentioned borrowing risks associated with general obligation and revenue bonds are shifted to the developer. However with developer reimbursement the issue becomes whether TIF was even necessary in the first place. If the developer had the means to afford the project then the concept of but-for may not be satisfied and the TIF reimbursement is simply a subsidy to a project that would have gone ahead in the much the same way absent the subsidy.

In the venue context any of these payment and borrowing forms can exist depending on the statutory bounds, available debt limits, tolerance for risk, and deal-specific bargaining outcomes. The developer reimbursement form of pay-as-you-go has been seen in the ambitious Victory Park real estate development surrounding the Dallas arena discussed in subsequent

chapters, while revenue TIF bonds have more recently made up the overwhelming contribution to Detroit's Little Caesar's Arena (as discussed in the Detroit case study). General obligation bonds intended to be repaid through TIF were central to the failed Boston Olympic Stadium plan (Ryan, 2015).

4.10. ALLOWABLE PUBLIC IMPROVEMENTS

TIF statutes generally specify what increment proceeds (through either debt issues or pay-as-you-go) can be spent on. This study collected data on six categories of publicly owned improvements particularly relevant to the facility context: public infrastructure, public beautification, land acquisition, site preparation, parking structures, and soft development costs.

Table 22.
Allowable Public Improvements by Jurisdiction

Jurisdiction	Public Infra.	Public Beaut.	Parking Structures	Land Acquisition	Site Preparation	Planning or Engineering
Ariz.	N/A	N/A	N/A	N/A	N/A	N/A
Cal.	Y	Y	Y	Y	Y	Y
Colo.	Y	Y	Y	Y	Y	Y
D.C.	Y	Y	Y	Y	Y	Y
Fla.	Y	Y	Y	Y	Y	Y
Ga	Y	Y	Y	Y	Y	Y
lll.	Y	Y	Y	Y	Y	Y
Ind.	Y	Y	Y	Y	Y	Y
Kan.	Y	Y	Y	Y	Y	Y
La.	Y	Y	Y	Y	Y	Y
Md.	Y	Y	Y	Y	N	N
Mass.	Y	Y	Y	Y	Y	Y
Mich.	Y	Y	Y	Y	Y	N
Minn.	Y	Y	Y	Y	Y	Y
Mo.	Y	Y	Y	Y	Y	Y
Nev.	Y	Y	Y	Y	Y	N
N.J.	Y	Y	Y	Y	Y	Y
N.Y.	Y	Y	Y	N	Y	N
N.C.	Y	Y	Y	Y	Y	Y
Ohio	Y	Y	Y	Y	Y	Y
Okla.	Y	Y	Y	Y	Y	Y
Or.	Y	Y	Y	Y	Y	Y
Pa.	Y	Y	Y	Y	Y	Y
Tenn.	Y	Y	Y	Y	Y	Y
Tex.	Y	Y	Y	Y	Y	Y

Utah	Y	Y	Y	Y	Y	N
Wash.	Y	Y	Y	N	N	Y
Wis.	Y	Y	Y	Y	Y	Y
	27	27	27	25	25	22
Ala.	Y	Y	Y	Y	Y	Y
Conn.	Y	Y	Y	Y	Y	Y
Del.	Y	Y	Y	Y	Y	Y
Ky.	Y	Y	Y	Y	Y	Y
R.I.	Y	Y	Y	Y	Y	Y
Va.	Y	Y	Y	Y	Y	Y
	6	6	6	6	6	6

4.10.1. Public Infrastructure

Public infrastructure refers to any publicly owned infrastructure improvement that is not primarily used to visually improve the public realm, although there is inevitable overlap. Parking is also under its own heading. Relevant to the venue context, this category includes works such as roads, sewers, utilities, bridges, lighting, sidewalks, and light rail. Most often these infrastructure elements will be found in publicly owned rights of way. More generally, this category of infrastructure investments represent the building blocks of a new neighborhood – a previously blighted area that sees a venue development will require major infrastructure repair and replacement. Every jurisdiction (meaning all but Arizona) in the data set allows for TIF to be allocated to this broadly conceived form of public infrastructure.

4.10.2 Public Beautification

All jurisdictions in the data set also allow for public beautification to be funded by TIF. Public beautification includes infrastructure intended to improve the public realm and make an area more attractive to multi-modal traffic. This can include streetscape improvements (sidewalk widening, public furniture, indented parking, decorative paving, and banners), trees and landscaping, parks, pathways, and roadway descriptions. These improvements can in theory help

make an otherwise bland and unappealing area into a destination in which people will want to spend time and money. For a venue project intended to transform a neighborhood, these visual elements are especially crucial.

4.10.3. Parking Garages

The importance of parking to venues makes it worth its own improvement category. All TIF using jurisdictions in the data set allow for TIF to be directed to public parking structure costs. While significant event parking is generally required for major professional sports facilities, outside of event periods, surface lots often sit empty. Depending on the volume of events, parking structures may not be financially viable, but allow parking spaces to be stacked and free surface lots for construction. In turn, parking deserts can gain more vibrancy in non-event periods and a more cohesive neighborhood can emerge. A particularly well-conceived parking garage can even include retail uses at ground level to facilitate an active streetscape. Thus a TIF investment in public parking structures can fill a valuable gap between what the market can support and the best outcome for catalyzing neighborhood development – the more quickly surface lots can be built on, the more quickly activity outside of event periods (and increment) can be generated.

4.10.4. Land Acquisition

As discussed in the eminent domain section, land assembly can be a substantial challenge for major facility and real estate development projects. TIF funds can be used to buy parcels – whether through negotiated purchases or eminent domain – to complete assembly sufficient for the envisioned project. Since publicly owned lands are generally not subject to property taxes,

the point of assembly is either for a publicly owned facility, or to transfer assembled parcels to a private developer to maximize future increment. Thirty-one jurisdictions with TIF statutes in the data set permit TIF funds to be used for land acquisition by public authorities.

4.10.5. Site Preparation

Thirty-one jurisdictions in the data set also allow for TIF funds to be allocated towards some or all site preparation costs. Site preparation can include environmental remediation, demolition, utility relocation, excavation, land clearing, and testing. Many brownfield sites will require substantial site preparation investments to make them development ready and competitive with greenfields. For developers weighing returns on a range of prospective investments, public contributions to site preparation can both tip the financial return scales to an urban site, as well as expedite projects with an unclear timeframe. For a venue development, an already prepared site can bring quicker development.

4.10.6. Soft/Consultant Costs

Almost all projects and districts will have a variety of soft costs attached. These costs are most commonly incurred for external planning, engineering, architecture, real estate, parking, and environmental consultants, as well as TIF administration. Twenty-eight jurisdictions in the data set permit at least some public soft expenses to be covered by TIF funds.

4.11. ALLOWABLE PRIVATE IMPROVEMENTS

Some jurisdictions allow for TIF monies to be allocated for private infrastructure related improvements. However while almost all TIF statutes in the data set permit TIF diversion to fund

public improvements, a minority of jurisdictions allow the seven categories of private improvement costs covered in this study: new construction, renovation or rehabilitative construction, soft/consultant costs, parking structures, beautification, privately owned infrastructure on private rights of way, and site preparation. Note that private land acquisition is not included in the category list as my review did not identify any jurisdictions in which this form of TIF allocation is permitted.

Table 23.
Allowable Private Improvement Costs by Jurisdiction

Jurisdiction	New Private Buildings	Renovated Private Buildings	Private Soft Costs	Private Parking Structures	Private Beaut.	Private ROW Infra.	Private Site Prep.
Ariz.	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cal.	N	N	N	N	N	N	N
Colo.	Y	Y	Y	Y	Y	Y	Y
D.C.	N	N	N	N	N	N	N
Fla.	Y	Y	Y	Y	Y	Y	Y
Ga.	Y	Y	Y	Y	Y	Y	Y
lll.	N	Y	Y	N	N	N	Y
Ind.	Y	Y	Y	Y	Y	Y	Y
Kan.	N	N	N	N	N	N	N
La.	N	N	N	N	N	N	N
Md.	N	N	N	Y	N	N	N
Mass.	N	N	N	N	N	N	N
Mich.	Y	Y	Y	Y	Y	Y	Y
Minn.	N	Y	Y	Y	Y	Y	Y
Mo.	N	N	N	N	N	N	N
Nev.	N	N	N	N	N	N	N
N.J.	Y	Y	Y	Y	Y	Y	Y
N.Y.	N	N	N	N	N	N	N
N.C.	N	N	N	N	N	N	N
Ohio	Y	Y	Y	Y	Y	Y	Y
Okla.	Y	Y	Y	Y	Y	Y	Y
Or.	Y	Y	Y	Y	Y	Y	Y
Pa.	Y	Y	Y	Y	Y	Y	Y
Tenn.	N	N	N	N	N	N	N
Tex.	Y	Y	Y	Y	Y	Y	Y
Utah	N	N	N	N	N	N	N
Wash.	N	N	N	N	N	N	N

Wis.	N	N	N	Y	N	N	Y
	11	13	13	14	12	12	14
Ala.	N	N	N	N	N	N	N
Conn.	N	Y	Y	N	Y	N	Y
Del.	N	N	N	N	N	N	N
Ky.	Y	Y	Y	N	Y	Y	Y
R.I.	N	N	N	N	N	N	N
Va.	N	N	N	N	N	N	N
	1	2	2	0	2	1	2

4.11.1. New Construction

A total of 12 states in the data set authorize TIF increment to be dedicated to new private construction projects. This is a direct subsidy of new private construction, but implicitly with an eye to make financially feasible projects that otherwise would not be. This category of provision is the most viable path to directly subsidizing a privately owned venue development.

4.11.2. Renovation and Rehabilitative Construction

Fifteen states in the data set will allow TIF to be directed to renovation and rehabilitation of already existing structures. As many modern and urban stadium related projects attempt to incorporate historical structures into their design (notable examples include Baltimore's Camden Yards and San Diego's Petco Park), where this form of TIF subsidy is permitted, it can be quite useful in the venue context.

4.11.3. Soft/Consulting Costs

In some cases private development parties will experience duplicative soft and consulting costs to those incurred by public bodies. Fifteen jurisdictions in this paper's data set allow for soft costs to be reimbursed to private parties. In jurisdictions where these costs cannot be covered

by TIF funds for private parties, there is an incentive for the public sector to formally take on as much as possible to allow for more permissive reimbursement.

4.11.4. Parking Structures

Fourteen jurisdictions allow for increment to fund privately owned parking structures. Where these structures cannot be both privately owned and funded by TIF, there are two likely effects: surface lots will remain longer until real estate values and development demand become sufficiently lucrative for construction, and public authorities will feel more pressure to construct publicly owned structures if the option of closing a cost gap for a private structure through TIF is made more difficult.

4.11.5. Beautification

Fourteen jurisdictions in the data set allow for private beautification projects to be funded through TIF. Such projects will share similar characteristics to public projects, although these will be on private rights of way. A likely allocation for these funds will be for landscaping and street interfacing required by the local government development approval.

4.11.6. Private Infrastructure

Although sharing some similarities with the broadly conceived public infrastructure category, private infrastructure focuses more on connections to, and integration with, municipal infrastructure from private property – utilities, roads, lighting, and pedestrian access. Thirteen jurisdictions in the data set allow for these types of private infrastructure costs to be covered

through TIF funds. Again, subsidizing these improvements goes to closing a prospective financial feasibility gap.

4.11.7. Site Preparation

Much the same applies here as with the discussion of public site improvement as well as the discussion of financial gap closure. The primary difference here is that instead of preparing publicly owned land, or acquiring and preparing land for development and then transferring it to the private sector, the TIF jurisdiction could directly fund preparation of privately held land. While in theory the TIF jurisdiction intending on assisting a private party can get around a statutory bar through expropriation and shell corporations, the explicit power for a direct subsidy provides more planning flexibility. Sixteen jurisdictions in the data set allow for TIF to fund site preparation on privately held land.

4.12. LAND USE

There are three primary land use categories that state TIF statutes generally permit TIF districts to be created in that are of interest to the stadium context: mixed, commercial, and residential. The overwhelming trend in facility ancillary development has been towards mixed-use development, but within that development there can be projects that are exclusively residential or commercial. In this project's data set, 30 jurisdictions allow for TIF use in mixed-use zones, 32 in commercial zones, and 28 in residential zones.

Table 24. Permissible Land Use Zoning for TIF Districts			
Jurisdiction	Mixed	Commercial	Residential
Ariz.	N/A	N/A	N/A
Cal.	Y	Y	Y
Colo.	Y	Y	Y
D.C.	Y	Y	Y
Fla.	Y	Y	Y
Ga.	Y	Y	Y
lll.	Y	Y	Y
Ind.	Y	Y	N
Kan.	N	Y	N
La.	N	Y	Y
Md.	Y	Y	Y
Mass.	Y	Y	Y
Mich.	Y	Y	Y
Minn.	Y	Y	Y
Mo.	Y	Y	Y
Nev.	Y	Y	Y
N.J.	Y	Y	Y
N.Y.	Y	Y	Y
N.C.	Y	Y	N
Ohio	Y	Y	Y
Okla.	Y	Y	Y
Or.	Y	Y	Y
Pa.	Y	Y	Y
Tenn.	Y	N	Y
Tex.	Y	Y	Y
Utah	Y	Y	Y
Wash.	Y	Y	Y
Wis.	Y	Y	Y
	25	26	24
Ala.	Y	Y	Y
Conn.	Y	Y	N
Del.	Y	Y	Y
Ky.	Y	Y	N
R.I.	N	Y	Y
Va.	Y	Y	Y
	5	6	4

4.13. LENGTH LIMITATIONS

There is a wide range of TIF district lengths across the jurisdictions in the data set. Where maximum lengths are defined, the range is between five and 50 years. However 10 jurisdictions do not have specific limits on TIF district length, although some outline that length will be specific to a TIF agreement or plan (DC, Tennessee, and Utah), or that the TIF district terminates once costs are fully paid (Florida). At least four jurisdictions allow for extensions that can significantly lengthen lifespans (three to four times) and – as increment generation will typically be back loaded – increase the increment captured. The ability for TIF districts to be modified or extended can also be seen as some retention of political control by authorizing bodies, especially where the TIF authorizing body differs from the governing body. This power is again reinforced by the later years of a TIF district likely to be more valuable in gross and present value terms.

Table 25.
TIF District Lifespan by Jurisdiction

Jurisdiction	Length (Initial Years/Extension of Years)
Ariz.	N/A
Cal.	45
Colo.	25
D.C.	TIF agreement specific
Fla.	20-40
Ga.	Until costs paid
lll.	23/35
Ind.	25
Kan.	20
La.	30
Md.	N/A
Mass.	5/20
Mich.	30
Minn.	26
Mo.	23
Nev.	30
N.J.	20
N.Y.	No limit
N.C.	30
Ohio	10/30

Okla.	25
Or.	N/A
Pa.	20
Tenn.	Specific to plan
Tex.	None
Utah	Agreement specific
Wash.	None
Wis.	27/40
Ala.	30
Conn.	50
Del.	30
Ky.	20-40
R.I.	25
Va.	30

The policy balance in TIF district length is between enough time to create sufficient increment to pay for planned improvements and to prevent an overly drawn-out TIF district from failing to deliver upon longer term net benefit to general revenues and thus being predatory on the general fund. While a jurisdiction may in theory wish to diligently guard against the possibility of a predatory TIF district, this tendency will in many instances be weighed against ensuring there will be sufficient increment to pay back TIF debt and to guard against volatility. Thus, beyond the retention of political control, this ability to alter district length to potentially create more increment for debt service is another reason for variable TIF sunsets.

4.14. LIMITATIONS

The primary limitation of this chapter is the coding of variables on a "yes or no" basis. While this coding allows for effective comparison between jurisdictions, it is probable that some degree of statutory nuance has been lost. For instance, some states have multiple TIF frameworks with different scopes and inclusions – leaving coding to generally reflect the most inclusive outcome. However more complex coding may have undermined the feasibility of this chapter

more generally. Likewise, as the illustration of particular statutory sections is meant as a counter to provide some opportunity to consider framing and nuance. A second notable limitation is the absence of Canadian data. Three Canadian provinces permit TIF, although venue TIF is only present in two.

4.15. DISCUSSION

This overview of state level TIF statute components reveals certain areas where there is broad consensus between statutes, and many more variables in which divergence prevails. When defining a "very strong" consensus as the presence of a variable in 30 or more jurisdictions in the data set, "strong" as 25 to 29, and "moderate" as 20 to 24, there are 11 variables with a very strong consensus, eight with a strong consensus, and only three in the moderate category.

Thus, the lowest common denominator "very strong" consensus TIF statute will allow for municipalities to create TIF districts and select projects to allocate increment to, the increment will be limited to property taxes and both site specific and area wide TIF projects can be pursued. However, TIF funds can exclusively be used on public improvements, specifically infrastructure, beautification, parking structures, land acquisition, and site preparation. Finally, the very strong consensus statute allows TIF to be used mixed-use and commercial zones. If strong consensus variables are added-in, then the statute would also require public hearings, allow counties to create TIF districts, as well as permit the use of eminent domain, spending on soft costs, revenue bonds, and pay-as-you-go structures, the overlay of special assessments, and residential zoning.

At the same time, there are important components that are absent from most jurisdictions – namely the funding of private improvements, but-for and quantitative blight tests, financial or feasibility studies, and the inclusion of sales taxes or PILOTs. These exclusions trend towards

making the creation of TIF districts more procedurally permissive, but restricting both the money available to spend and what it can be spent on.

For the venue context there are several key takeaways. First, the absence of sales TIF availability in most jurisdictions closes off the largest source of potential revenue, but also the most volatile form of TIF. Second, the general absence of substantive restrictions on TIF creation means that if proponents and political actors want to use TIF in the context of a venue deal, then they will likely have the option to do so. Third and finally, the limitation of TIF spending to public improvements means that TIF will either be a subsidy to address public infrastructure needs for a facility with perhaps an overlaying special assessment for certain private infrastructure, or that the venue will need to be publicly owned to directly use TIF. The latter outcome, like tax-exempt bonds, is something of a perverse incentive for public ownership and subsidization of professional sports venues.

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CHAPTER 5. TIF, BUT-FOR, AND DEVELOPER CAPTURE IN THE DALLAS ARENA DISTRICT[4]

5.1. PURPOSE

This Chapter broadly evaluates the Dallas Sports Arena TIF District (SATD) that was created to reimburse public improvements surrounding the American Airlines Center (AAC), as well as the Victory Park real estate development that has been constructed within the SATD since the arena's 2001 opening. Specifically, this study views the SATD through two common TIF criticisms that the literature has identified as especially valid: that many TIF projects lack a legitimate but-for element and that sub-optimal transparency allows projects to escape sufficient scrutiny.

Beyond the categories TIF discussed in Chapter 2, this study specifically builds upon the work that has covered the issue of TIF disproportionately serving the interests of private developers (see e.g., Briffault, 2010; Lefcoe, 2011). This avenue is an extension of the public choice based theory on rent-seeking and regulatory capture. As noted in Chapter 2, the former entails the extraction of rents by private actors that exceed the value of wealth or productivity created by those actors. The latter outlines that private interests can become the dominant objective of public regulatory agencies due to the cost-benefit imbalance between prospective capturing actors (with high potential gains) and the general public (with a relatively minimal and

[4] A version of this Chapter was published as: Sroka, R. (2017). Pyrrhic Victory: Tax Increment Financing, but for, and Developer Capture in the Dallas Arena District. *Marquette Sports Law Review*, *28*, 201.

diffused stake in outcomes) (see Laffont and Tirole, 1991; Levine and Forrence, 1990). As explained, in combination with basic bargaining theory, the use of TIF in the SATD can be fairly well understood through these aspects of the literature and its theoretical parents.

After a conceptual overview of TIF, TIF in Texas, and local Dallas TIF policy, the SATD story is set out prior to an analysis of results through these two critical lenses. This chapter argues that the weak legal standard of but-for in Texas has allowed TIF to subsidize SATD projects that would have gone ahead in much the same way absent TIF. Further, the transparency issue has manifested itself in a form of regulatory capture where the developer parties have garnered the spoils at the cost of the greater polity through timely leveraging of bargaining power, contractual structure, and alignment of interests with the local economic development agency. Ironically, the built-in failure of the framework emerging from this developer capture has provided the SATD its most legitimate claim to but-for in resolving a completely manufactured brake on development and area success.

This chapter has several primary findings. First, Dallas has seen TIF subsidize an arena development project that probably would have gone ahead similarly absent the TIF subsidy, thus showing but-for to be largely absent. Second, TIF has been a flexible instrument to correct mistakes in the initial development structure over a decade after the arena deal. Third, the inclusion of TIF in the first place, as well as the use of TIF as a corrective agent, also bring forth major issues of transparency. In particular, the arena proponents can be seen as having captured the local economic development agency to do its own bidding (through TIF funding) at the expense of the broader public interest, placing a different lens on the role of local growth coalitions discussed in Chapter 2 (and indeed throughout this dissertation).

5.1.1. Method

This chapter uses a snowball technique to find and synthesize documents. These documents are primarily sourced from government and media. The government review encompasses city, county, and state government sources, including those from local economic development authorities and planning departments. Particularly important were the master development and related agreements for the arena, which were obtained through a freedom of information request. The media review collects newspaper, opinion, and magazine sources from local and national outlets. Particular emphasis was placed on sources interviewing or quoting key actors (such as politicians, developers, and team related parties) which were used to provide support for contemporaneous actor intent. Complementing the extensive discussion in Chapter 2, there was also a literature and statue review, which included academic and policy works relevant to the Texas and Dallas contexts, as well as the Texas Tax Code and relevant local ordinances.

5.2. TIF IN TEXAS AND DALLAS

5.2.1. TIF Statute

As coded in Chapter 4, Chapter 311 of the Texas Tax Code governs TIF in Texas. Both municipalities and counties can create TIF zones, initiated through either private petition or local government discretion. While focused on property tax increment, sales-tax increment may also be included in a TIF zone pursuant to §311.0123. The two core traditional components of TIF, but-for and blight, are respectively addressed by §311.003 through 311.005. The former describes that a "reinvestment zone" requires local government determination "that development or redevelopment would not occur solely through private investment in the reasonably

foreseeable future" and that an ordinance creating a "reinvestment zone" must clearly describe the geographical boundaries, create a board of directors, as well as outline effective and termination dates for the zone.

§311.005 then provides a number of avenues for a blight finding. At its most basic, only one of the blight sub-conditions needs to be made out in addition to the section's general blight chapeau.[5] Combined with the lack of further definition or detailed quantitative thresholds, the requirements are not difficult to meet and are evaluated in the subjective opinion of the jurisdiction. Yet there are additional paths, including a petition by property owners accounting for over 50% of assessed values in a proposed district, and for being a primarily open or undeveloped area substantially "impairing" the jurisdiction's growth. This latter provision means that a greenfield site can be designated a TIF area, which literature has viewed as being less than best practices (see e.g., Knavel, 2002), and makes the test more one of underdevelopment than strictly blight. Finally, a reinvestment zone can be designated simply because an existing or proposed mass transit rail system passes through, which further simplifies the process for transit-oriented development (Tex. Tax Code, §311.005).

§311.006 places some restrictions on the composition of a TIF zone, the most notable being a cap for TIF at 15% of a jurisdiction's assessed value. This precludes a Chicago-like situation, where over 30% of the city was inside of a TIF district as of 2014 (Wilson, 2015). §311.015 explicitly limits TIF bond repayment to funds from the TIF zone the debt was incurred for, meaning that there is no claim against general revenues of the issuing jurisdiction. Effectively limiting the debt pool to the TIF area reduces local government risk, but makes the

[5] The §311.005 chapeau reads: "substantially arrest or impair the sound growth of the municipality or county designating the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of…"

debt a more risky proposition for investors (see Heins, 1962). In turn, interest rates will be higher and the project becomes more costly to the local government in the long-term.

The Texas TIF law may however be more notable for the restrictions not present. First, there is no time limit for a TIF district, allowing a jurisdiction to reinvest increment within the TIF zone indefinitely, important because the eventual reversion to general revenues is a commonly cited benefit to TIF. Also absent is a sufficient limit on the but-for test, which is solely and subjectively determined by the local authority, meaning that there is little objective limit. The obvious issue is that TIF may merely be capturing increment that was likely or even certain to occur in any event as opposed to spurring new investment. Similarly, the Texas statute lacks quantitative means for evaluating the presence of the blight pre-requisites that are present, allowing local interpretation whims and preferences to prevail in both traditional core components of a TIF use test. Indeed relative to the statutes inventoried in Chapter 4, Texas can broadly be seen as being on the permissive end.

Still Texas does incorporate some less explicit TIF brakes. First, as TIF does not capture state revenues, the intent of the legislature may have simply been to provide local governments leeway to use TIF within the 15% cap as a percentage of assessed value, trusting that local governments would have the incentive to develop best practices from collective experience. Likewise, participation in a TIF zone by overlaying jurisdictions such as school districts and counties is negotiated, meaning that it is up for the TIF proposing jurisdiction to sell the benefits of capture to an inherently skeptical audience. Without overlaying capture, TIF has been seen as less attractive relative to other economic development schemes (Lefcoe and Swenson, 2014), meaning that counties and school districts can act as a further check beyond the assessed value

share cap. The importance of a check on overlaying capture unwanted by school districts will be placed into further focus in the Detroit case study.

5.2.2. Case Law on Texas TIF

Although the 30 years since TIF's arrival in Texas have seen numerous TIF-related lawsuits, none have provided substantial direct guidance on the issue of but-for. The most interesting case from a blight and but-for perspective concerned the TIF subsidization of a Cabela's in a prosperous and fast growing area of Fort Worth (ironically as we will see, on land bought from Hillwood Development) (Montgomery, 2014). Here the legitimacy of the §311.005 designation based upon a stream and pond on the property was unsuccessfully challenged by a citizen's group, although only the issue of blight was tried (McGraw, 2006). While in the context of the traditional TIF concept of blight, the conditions found in Fort Worth do not pass muster, this decision highlights the many possible routes through which the Texas blight test has effectively become one of underdevelopment.

In terms of reviewing perceived local government over-permissiveness in TIF zone creation, the appellate court in *Hardwicke v. City of Lubbock* (2004) outlined that absent arbitrary or "capricious" and willful "disregard of the facts and circumstances," a local decision will be maintained. Applied to the but-for element in the creation of a TIF zone, it appears that any challenge will have the substantial hurdles of a wide scope within which local government decisions will be deemed defensible, as well as a broader judicial reluctance to intervene in such determinations.

The relatively limited case law on Texas TIF is complemented by a series of Advisory Opinions from the Attorney General's Office. Of the 15 plus opinions on record, the most

relevant to the SATD context outlines that a petitioned for TIF zone must meet the standard of "unproductive, underdeveloped or blighted" in §311.005. However the assessment of whether this standard has been met is in the "good faith" judgment of the local government, although subject to (the relatively weak standard of) judicial review (Texas Municipal League, 2015, p. 238). Yet despite over 15 unique issues being addressed through these opinions, there is no coverage of but-for, although it may implicitly be seen in the same way as blight.

5.2.3. Literature on TIF in Texas and Dallas

There have been several works on TIF in Dallas and other major Texas cities. Loessberg (2012) evaluated the relative roles and merits of TIF, tax abatements, and HUD Section 108 loan guarantees in the Dallas in-town housing program, an initiative designed to convert underused office space to both populate urban areas and reduce the glut of office square footage on the market. Although TIF was intended to be a supporting instrument, Loessberg argues that TIF has been by far the most successful form of assistance, in large part due to its flexibility in being adapted to the infrastructure needs of a particular project.

In a survey of Dallas TIF district outcomes using data from the City's Office of Economic Development (OED), Bland and Overton (2016) found that public participation through TIF was an essential element to TIF success. In particular, they argued that the public side allowed for value maximization through leveraging the impact of private investment via "operational and institutional knowledge" and project credibility (2016, pp. 431-432). This built upon their previous work evaluating the impact of the post-2008 recession on TIF zone assessment growth (Overton and Bland, 2014). Here Overton and Bland (2014) concluded that pre and post-recession private investment in a TIF zone was strongly related to the total planned

TIF expenditures over the district's lifetime as opposed to annual disbursements. The recession years however saw a different pattern, whereby public outlays of TIF dollars became an important source of tangible reassurance to developers of the City's ongoing investment in TIF success. The findings in both of these articles are quite relevant this chapter's primary discussion concerning the SATD.

At the statewide level, Scott (2013) found that adoption of TIF by neighboring jurisdictions had a measurable positive impact on TIF district size. Arvidson et al. (2001), in a high-level review and survey of TIF use across Texas, set out that TIF using jurisdictions have been fairly successful in their primary objectives of tax base expansion and business attraction. The authors here also noted an average private to public spending ratio of 8:1 and the majority of TIF projects being funded on some form of a pay-as-you-go basis, as well as TIF being more of a petition (as opposed to municipality) driven exercise in most jurisdictions. These findings are consistent with the early TIF experience in Dallas, the relative success of which has set the stage for significant TIF expansion since the article was written, including in the SATD at the core of this chapter.

As for how Texas TIF compares across state lines, in addition to my own analysis based upon Chapter 4, the broader TIF literature has repeatedly placed Texas on the more permissive end of statutory TIF schemes (Arvidson et al., 2001; Farwell, 2005). However, because of this flexibility, the Texas framework has been cited as a template for solving issues in other jurisdictions. For instance, Lefcoe asserts that many of California's TIF problems could be addressed by adopting the Texas process of negotiation with overlaying jurisdictions for their increment, and cap for increment percentage of a local government's assessment base (see Lefcoe, 2012). This form of negotiation is further considered in Chapter 9.

5.2.4. City of Dallas TIF Policy

Both the City and Dallas County have detailed TIF policies. The City policy outlines a scoring system for prospective TIF districts based on a series of financial and policy objectives, something akin to a traditional procurement process. The financial measures include up to 50 points for new tax generation exceeding public investment, 20 points based on a review of financial projections, as well as 15 points for each of participation from overlaying jurisdictions and whether at least $100 million of new development will occur within five years (Dallas Office of Economic Development, 2009). The same document then scores policy benefits on eight criteria. Twenty-five points are available based on enhancement of "core City assets," 20 points apiece can be had for "direct benefits" to distressed areas and enhancement of the public realm, 10 points for affordable housing provision and design guidelines, and 5 points for impact on green space and compliance with affirmative action guidelines. Financial and policy scores are each maximized at 100 points, with a minimum of 70 points in each category needed to move forward. The City also requires a 10% affordable housing component for all TIF districts.

While state statute has no TIF sunset requirement, the City standard is 20 years (2009). Where an extension of the City standard is contemplated, another list of boxes must (literally) be checked, these concerning new market conditions, extension of financial benefits, and preconditions. A TIF district can then be extended for a maximum of one further 10 year period, although the TIF plan can be amended on an ongoing basis in response to market conditions.

Likewise worth noting is that sub-districts within existing TIF districts can be established. Here the expiry is linked to the sub-district creation date as opposed to the TIF district sunset (Tex. Tax Code, §311.005), a model that has been used in the SATD (see Dallas

Office of Economic Development, 2012a). New sub-districts can draw on the increment of more established districts for the remaining life of the senior district until development allows the new sub-district to generate greater (and implicitly self-sustaining) increment in its later years. This is effectively a TIF bond issue for a pay-as-you-go TIF model absent the risk of debt.

5.2.5. Dallas County TIF Policy

Dallas County's policy is framed by its status as a participant in the TIF schemes of its constituent municipalities. As of December 2016, the County participated in 24 TIF districts, 17 of which are within the City of Dallas, accounting for all but one of the City's active TIF projects (Dallas Office of Economic Development, 2016). In evaluating prospective TIF participation, the County will first assess a proposal against five core gatekeeper criteria: statutory eligibility, an increase in County tax base by at least $15 million within three years of final plan approval, a present value analysis demonstrating additional tax revenues will equal forgone increment "within a reasonable period of time," sufficient safeguards for the failure of proposed development to occur, and no diversion of firms or facilities from another County municipality (Dallas County, 2011, pp. 2-3). Of these requirements, the "no diversion" requirement is particularly notable for explicitly precluding predatory use of TIF within the County, but not extending a collaborative approach to neighboring counties, the absence of which some suggest predicates a race to the bottom (see Lefcoe, 2011).

Upon passing these gatekeepers, the County can elect to provide up to 35% of increment with a further 10% able to be committed, up to a maximum of 75%, for meeting each of the following: location in a distressed area, an 8:1 ratio of increment to public investment over a 20 year period, an exclusive purpose of creating at least 450 single-family homes with 35% or more

being affordable by HUD standards, facilitation of rapid transit use or trail extension, "regional economic implications," and a determination that County participation will expedite proposed public investments by a minimum of two years (Dallas County, 2011, pp. 3-4). Although not all of these criteria are easily met, meeting some is not overly burdensome. The County will then more broadly consider impacts on transportation, services, the nature of the investment and development, geography, as well as the generation of sales and hotel taxes. With these latter two components, since sales and hotel tax increment are excluded from the County's participation, the ability for a TIF district to offset property tax diversion through increased hotel and sales tax revenues seems especially pertinent.

In Dallas, the natural brake on TIF risk is the County. A TIF project becomes far more powerful with County participation, but the County has a different incentive structure and far less of a vested stake than the Dallas OED in being viewed as successful. Instead the County has to evaluate a project as being beneficial in the long run to County revenues and if there is no but-for threshold met, then its revenue is being transferred from non-Dallas City taxpayers to the City for no net benefit. Thus the extent of County participation can be seen as a less biased evaluation of but-for and to some extent a functional closing of the statutory but-for gap.

5.3. THE AMERICAN AIRLINES CENTER AND TIF IN THE DALLAS SATD

5.3.1. Overview of the Arena Framework and the SATD

Passing a 1998 city-wide referendum by a mere 1,642 votes and completed in 2001, the AAC was financed and developed under an Arena Master Agreement by the City and the Center Operating Company (the COC), the latter a joint-venture between the arena's two major league

tenants, the NHL Stars and NBA Mavericks. Following the referendum, the same year saw the creation of the SATD to reimburse infrastructure and public improvements in relation to arena development. Running parallel to the Stemmons Freeway and a DART light rail line, the original SATD ran roughly 2000 feet north and south of the arena, extending south to the edges of downtown and the infamous Texas School Book Depository (Dallas Office of Economic Development, 2012a). Formerly used for a railyard and power plant, 70% of the site was considered a highly contaminated brownfield (Dallas Office of Economic Development, 2013). The geography was also notable for its exclusion of entire blocks surrounded by included streets, although this is best explained by these blocks already being built-out with public housing and market apartments and the City seeing no point in capturing the non-arena related market development or the exempt public housing.

TIF funds were not part of the formula for funding the arena itself, which instead saw a public contribution in the form of rental car and hotel taxes, with the remaining costs split between the Stars and Mavericks ownership groups (City of Dallas, 1997). Additional bonds for infrastructure were approved previous to the SATD, but insufficiently covered planned improvements. In terms of Texas Tax Code §311.005, the City went with a deteriorating structures blight determination, although any number of subsections could have been made out considering the legitimately blighted state of the area. Dallas County contributed one-third of County (and County-controlled Hospital District) increment for 10 years or until a net present value of $1.93 million was achieved (Dallas Office of Economic Development, 2012a). The Dallas Independent School District, seemingly a party where the benefit experienced would be more tenuously connected, allocated 50% of its increment with a sunset scheduled for 2013 (2012a).

Alongside the SATD's creation, the City entered into agreements with the COC for certain infrastructure improvements (primarily roadways) to be paid for from the TIF fund (2012a). Instead of borrowing against the projected increment through TIF bonds, the COC paid for these costs as they were incurred and received priority reimbursement plus agreed interest as increment was generated. As noted, the interest aspect makes this similar to borrowing from a financial perspective, but moves risk from the TIF zone and the City to the developer insofar as a priority reimbursement is only valuable if sufficient increment is created.

Beyond the arena and TIF agreements also came three contracts and accompanying easements concerning parking rights (the PRAs) between the City, the COC, Hillwood Development Company (Hillwood), and the COC's lender (Dallas Office of Economic Development, 2012b). The PRAs required 3,000 spaces on Hillwood controlled lots within the SATD and 841 of those spaces to be 400 feet or less from the arena (2012b). These PRAs also included an easement over the designated lots to the benefit of the COC, meaning that lots could only be released from the agreement for development upon COC approval. Further, the PRAs outlined that any subsequently displaced parking spaces had to be relocated on the designated parking lots prior to a City building permit or certificate of occupancy being issued (2012b).

5.3.2. Initial Development in the SATD

Victory Park, the 75 acre luxury real estate development adjoining the AAC, was the grand vision of Ross Perot Jr., the then Mavericks owner and principal of Hillwood. While the first phase of Victory brought hundreds of millions in assessed value to a blighted urban location, the project followed a common course for real estate in the late 2000s – insolvency. Accordingly some of its more ambitious elements were axed, including a 43-story Mandarin Orient hotel

(Schnurman, 2010). The stalling in progress, combined with overbuilt luxury components relative to market demand, contributed to a sterile and largely empty environment on non-event nights (2010). An almost exclusively upscale retail mix was also a poor match for the consumption tastes of both lunchtime and game-night traffic, further impacting the viability of retail and restaurant businesses (2010).

The property tax picture was far less bleak however, with the OED claiming that assessed value increased by over 2,000% between 1998 and 2012 (2012a). The most significant year-over-year increases occurred between 2006 and 2008, where anticipated captured value leapt from $37 million in 2005, to $163 million in 2006, $361 million in 2007, and $557 million in 2008, before a decline consistent with the recession (2012a). This timeline runs parallel to the completion of the first major phase of Victory Park, including the W Hotel, several office towers, a 28 story residential tower, and multiple lower-rise apartment complexes (Dallas Office of Economic Development, 2016). These overwhelmingly high-end developments accounted for almost 800 apartments and condos, 250 hotel rooms and 200,000 square feet of retail space (Schnurman, 2010).

The projects initially reimbursed concerned what was contemplated by the original TIF fund agreements, with approximately $32 million spent on road construction, extension or revitalization and the remainder of almost $5 million primarily going to storm drainage and the West End Plaza (Dallas Office of Economic Development, 2012a). The total cost of the reimbursement by the time of completion in 2012 was over $38 million, of which roughly $15 million was interest (2012a). While interest has eaten a significant share of generated increment, the SATD has been able to fund its intended list of infrastructure projects with reduced risk

relative to a TIF bond issue (for instance, the post-2008 downside of would not have been experienced by the City on this project the same way as if debt had been issued).

5.3.3. SATD Redux 2012

The 2012 Amended TIF Plan (Amended Plan) is far more ambitious in scope and directed to address the very mixed development experience of Victory Park to date. Beyond major investments in the immediate vicinity of the AAC, the geography expanded to two entirely new sub-districts, Riverfront Gateway and West Dallas, with the original SATD being re-designated as the Victory sub-district. The Amended Plan saw the Victory sub-district extended through 2028 and the new Riverfront Gateway and West Dallas sub-districts set to run until the end of 2042, with an earlier sunset possible for all sub-districts if the full project costs are paid (2012a). Dallas County also amended its participation – now the County provides 55% of increment in the new West Dallas and Riverfront Gateway sub-districts through 2029, and Victory sub-district increment has increased to 45% through 2022 (Dallas Office of Economic Development, 2016).

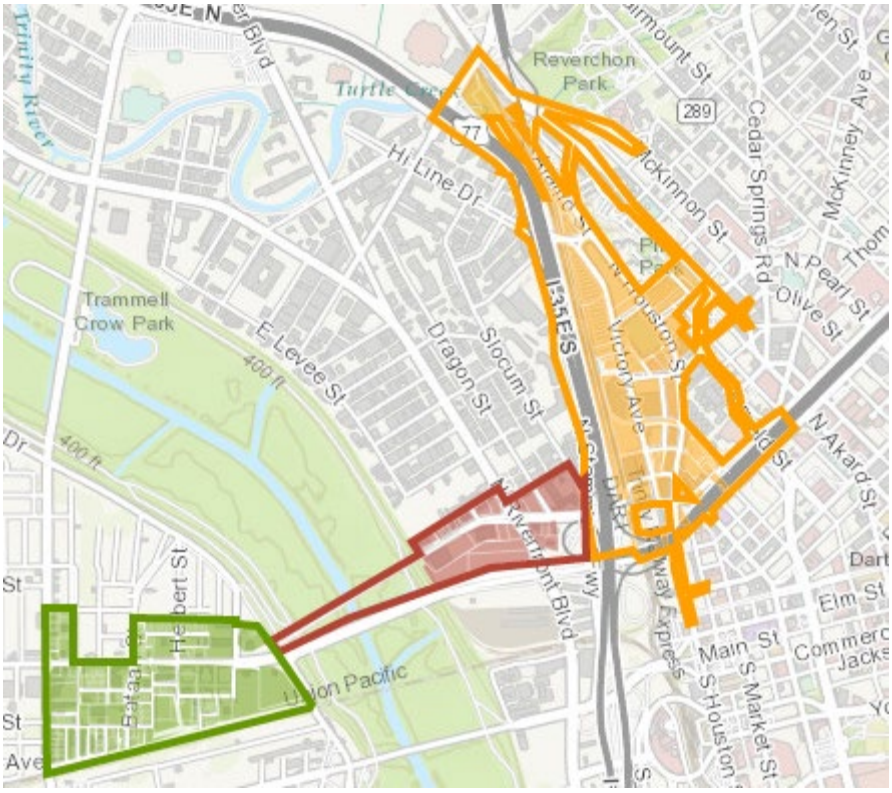

Figure 1. Sports Arena TIF District After 2012 Amendment

Orange	Victory sub-district
Red	Riverfront Gateway sub-district
Green	West Dallas sub-district

Source: Dallas Office of Economic Development

As seen above, Riverfront Gateway extends from the southwest edge of the Victory sub-district, across the Trinity River and narrowly connecting to the West Dallas sub-district. This creative mapmaking has produced a new SATD that bears more than a passing resemblance to a gerrymandered political ward. When viewed in the context of the Amended Plan TIF spend where West Dallas accounts for a third of projected spending and Riverfront Gateway less than 5% (Dallas Office of Economic Development, 2012a), the objective seems to be to leverage development in Victory Park for the benefit of West Dallas. In fact, the Amended Plan document

explicitly outlines that 10% of Victory increment will be reallocated to West Dallas (2012a), a traditionally poor, blighted, and contaminated neighborhood (see Wigglesworth, 2012).

The Amended Plan had 10 primary goals, overwhelmingly focused on rectifying Victory's previously mentioned planning and development shortcomings (Dallas Office of Economic Development, 2012a). With the former, the OED outlined that the street network was designed to move event traffic and cut-off Victory from neighboring clusters of development, with attendees having no reason to travel down the development's commercial spine. Combined with a poorly designed retail landscape that failed to attract business from the event and office traffic Victory did garner (Schnurman, 2010), the development's issues were punctuated by an absence of sufficient density, in large part due to the PRA restrictions. On a quantitative plane, the Amended Plan also proposed attracting new private investments totalling almost $1 billion, including at least 250,000 square feet of new retail space and 3,000 additional housing units, while ensuring that this time there was a diversity in retail, commercial, and residential mixes (Dallas Office of Economic Development, 2012a). With over 243,000 square feet of retail space and 3,151 residential units completed or under construction through 2016, these construction objectives are well on their way to being greatly exceeded (Dallas Office of Economic Development, 2016).

The OED and City Planning Department believed that the SATD development objectives could be best facilitated through using increment to build parking structures to eliminate over 12 acres of surface lots effectively mandated by the PRAs (2016). Thus, the overwhelming increment focus in the Amended Plan was on parking garages, with the two completed in 2014 and 2015 lifting the SATD to over 3,600 garage spaces (Dallas Office of Economic Development, 2012b). One of these garages was built on the abandoned Mandarin Oriental site

and includes a street-facing retail component that will provide a more complete block of Victory Park Lane across from both the W Hotel and AT&T Plaza (the local attempt to replicate Times Square (Jones and Hunt, 2002), minus sustained vibrancy and human presence).

Most of the remaining TIF spend has gone to street improvements focused on place-making; sidewalk widening on key pedestrian thoroughfares to allow for flow and ancillary uses (such as patios), traffic calming, and bike lanes (Dallas Office of Economic Development, 2016). However the first almost $2.7 million of increment has flowed to reimbursing planning and consulting fees from the COC and Hillwood under the TIF grant program, authorized by §311.010 (h) of the Texas Tax Code (Dallas Office of Economic Development, 2012a). These priority allocations strongly relate to the discussions of but-for and capture below.

5.4. CRITICAL LENSES OF TIF AND THE SATD

5.4.1. But-For and Developer Capture

In the most comprehensive review of six common TIF criticisms, Lefcoe isolates two interrelated sets of "convincing" issues, the first and most relevant to this paper being that a but-for standard is often not adhered to, leading to developer-driven TIF projects that capture unnecessary subsidies (Lefcoe, 2011). Secondly, Lefcoe (2011) sets out that these transactions are often accompanied by a lack of public transparency that benefits the cause of welfare-seeking developers, as well as politicians and development agencies in pursuit of specific development and political objectives. In Dallas, both these criticisms exist accompanied by the transparency issue, but the local overlap lends to a better-organized conversation under the intertwined headings of but-for and developer capture.

5.4.2. But-For

Starting with but-for, most jurisdictions that have an explicit but-for test set out that without public subsidy private investment would not occur at the site in the "reasonably foreseeable future" (2011, p. 467). With some tests the standard is weakened with caveats that development would not happen as quickly, or with the same scale and benefit to the public (2011). In Dallas, TIF is subject to the blanket test that but-for the incentives sought, the proposed project would be "substantially altered such that the economic returns to the city would be reduced or the project would not otherwise occur in the city" (Dallas Office of Economic Development, 2016b). This mirrors the state statutory standard, and as far as the strict language goes, this test is far from the most permissive end of the spectrum (see Farwell, 2005). However, strict language matters less than standards of interpretation and enforcement.

Lefcoe outlines that ideally but-for will be assessed with detailed financial data, checked by outside auditors, and then presented alongside specific explanations on why particular aspects of the development justify a TIF subsidy and why such a subsidy is the most efficient prospective use for public monies (Lefcoe, 2011). In Dallas, the OED provides in-depth and easy to access information on year-to-year TIF results, but the TIF plan explanation of how the but-for standard was measured and deemed met is lacking. Beyond outlining that the SATD was created to reimburse public improvements "necessary or beneficial for the development of the American Airlines Center and private development within the surrounding area, which such development or redevelopment would not otherwise occur solely through private investment in the reasonably foreseeable future," there is no further detail on why TIF was necessary (Dallas Office of Economic Development, 2012a, p. 4).

While the TIF plan imports the but-for language from §311.003 of the Texas Tax Code to meet the statutory standard and thus formal legality from a strict interpretation perspective, instead of satisfying that a detailed assessment of but-for has been undertaken, it merely highlights the permissive and subjective standard, as well as the lack of but-for enforcement in Texas. Although there have been multiple decisions on the issue of blight or underdevelopment, as noted, there has been a lack of judicial guidance on but-for. Where there has been direction on the TIF issue, case law and reference opinions from the Texas Attorney General have shown deference to specific local government determinations of blight under §311.005 so long as the necessary elements can be made out in the first-place under a literal and plain meaning statutory interpretation (Texas Municipal League, 2015). Combined with judicial deference to local government decisions on land use in general (Hightower, 2007), even TIF-opposing elected officials from large cities operated (contemporaneously to the SATD project) on the assumption that broad local discretion exists on the process and finding of but-for and that this represents a "real open hole in the statute" (Cook, 1999).

Yet beyond the State statutory standard, the SATD project does not seem to necessarily meet the City standard for project assistance "that 'but for' the incentives sought, the proposed project would be substantially altered such that the economic returns to the city would be reduced or the project would not otherwise occur in the city" (Dallas Office of Economic Development, 2016b, 13). Even if there was a legitimate finding under the City standard, neither the TIF plan or readily available OED documents provide any detail or discussion on how this decision was made. Combined with weak State but-for enforcement, a transparency-based critique of the SATD gains credibility.

With the Arena Master Agreement and Perot ownership options over, and vision for, most of the surrounding parcels, it seems that much of the initial phase of development would have occurred with the construction of the arena. The question, based on the formal justification provided by the City, then becomes threefold:

1. Would the arena have occurred as it did without the TIF district being part of the Arena Master Agreement with the City?
2. Would the Victory development have happened with only the arena being subsidized?
3. Did the use of TIF facilitate faster or more substantial development than would have otherwise occurred in the absence of TIF after the formal authorization in 1998 of the TIF contemplated in the Arena Master Agreement?

On the first count, it seems unlikely that the absence of a $24 million infrastructure contribution would cause the Stars and Mavericks to walk away from their preferred location and $125 million in direct arena subsidies. Despite on-ice success, the Stars were hemorrhaging money in the AAC's predecessor, Reunion Arena, and ownership was eyeing new revenues from luxury boxes to close the deficit and then sell the team at a profit (McGraw, 2002). Combined with Hillwood having acquired rights to (contingent on a successful arena referendum) 46 acres of land surrounding this preferred location (City of Dallas, 1997, p. 31), the argument that if the City failed to provide a TIF district that the first phase of Victory Park would not have materialized is highly questionable, especially considering that Victory was something of a vanity project for one of the state's wealthiest families.

In fact, the reason Perot acquired the Mavericks in 1996 was to realize a vision for a master-planned urban district centered on a new arena – without the team, Perot had little leverage (Jones and Hunt, 2002, p. 2) and without the prospect of a major downtown

development Perot had little interest in basketball (Donald, 1997). Although several sites were supposedly considered, Perot himself noted that a location at the south end of the Dallas North Tollway was important as 80% of season ticket customers at Reunion Arena lived within a mile of this road (Jones and Hunt, 2002, p. 2). The only sufficient concentration of urban land at its south end was the contaminated brownfield-turned Victory site. According to Perot, "[w]e picked that area north of the West End because it was the last blighted area…it was an area where you could have a big impact" (Brick, 2002). Once Perot achieved his arena deal, the Mavericks were sold to Mark Cuban for a reported $285 million prior to the AAC even opening, more than doubling Perot's investment in less than four years (Price, 2015), and inadvertently setting the stage for future clashes over parking.

Likewise, in the absence of TIF subsidies and given the structure of the Arena Master Agreement, it is hard to accept that Perot and Hillwood would simply let controlled land adjacent to the arena with hundreds of millions in planned construction lay fallow because a comparatively minimal infrastructure subsidy was not reimbursed. The entire point of acquiring the Mavericks was to build an arena near downtown Dallas that could be the anchor of a major real estate development (Jones and Hunt, 2002, p. 2) – again, why would Perot turn away after the arena anchor was funded? The TIF as a development accelerant argument is further undermined by the funds for infrastructure being spent out of pocket years in advance of TIF reimbursement. While it may be suggested that the priority repayment guarantee provided collateral upon which the developer could borrow and thus accelerate access to capital for subsequent development, Perot was seemingly not lacking for finance at the time. Instead, the more likely brake would seem to be market demand, which is supported by the first phase outcomes.

However, the development accelerant argument is not without some merit. There are newspaper reports from the 1998-2003 period showing continued wrangling between the City, the COC, and the involved development companies on what would be built by whom, on what timeline, what share of public infrastructure subsidy would be granted, and whether that subsidy would be reimbursed or paid for via bond issue. Although the development had $600 million in financing by 2002, ground had not been broken, and the proposed structure of the deal whereby the COC would actually sell the land upon which the first phase of Victory was built to a third-party developer (Palladium) and retain a minority stake, fell through (Brick, 2002). It took until 2003 for the first post-arena construction to commence and the parties involved cited the first round of $24 million in TIF commitments as being an insufficient incentive and floated multiple bond issue scenarios that would either exceed or replace the TIF commitment (2002). In this sense, the argument can be made that the project returns (increased property assessments and economic activity in the zone) were delayed by the absence of subsidy, although the problem is that the subsidy in question (approved in 2000) was deemed insufficient by the developers to influence them to start construction before they eventually did so in 2003 (2002).

Instead, it seems that market conditions were far more influential than TIF or other subsidies on the actual commencement of construction. Dallas at the time had a glut of competing office space (2002) and a luxury apartment surplus. Combined with 9/11 impacting the perceived viability of new hotel projects (Schnurman, 2010), an issue as the Victory centerpiece was a W Hotel, as well as the actual performance of Victory's first post-arena phase, it seems that market demand was more of a brake and influence on development timelines than the presence or absence of TIF. To this end (then Stars owner and 43% partner in the arena-

adjacent land holdings (Brick, 2002)) Tom Hicks noted in 2005 that construction would commence on the primary office element once 50% was pre-leased (Perez, 2005).

So while the City's but-for standard may have to a certain extent been met at various points after the fact, it did not seem to reasonably exist at the time of the TIF authorization ordinance in 1998, which is the point at which the City's own documents seem to have evaluated but-for. The but-for argument is further undermined by the TIF subsidy guarantee not being a sufficient incentive to spur the initial post-arena development faster than market demand dictated. Yet with no precedent to indicate that local government prerogative to assess the state or local government standards of but-for is at issue, and little propensity for judicial review of such standards in Texas (Hightower, 2007, pp. 7-13), there is no foreseeable legal consequence to a loose interpretation that serves a desired political outcome. Indeed the laissez-faire judicial approach to TIF review has helped create the scope for further and self-reinforcing proliferation of loose standards – cities are effectively free to do what they wish within the 15% of their assessment base that can be included in a TIF zone.

There is also a somewhat different element of but-for in the post-recession phase of the SATD with the Amended Plan. The aftermath of 2008 saw Hillwood's German financiers take control of Victory, leaving Hillwood with ownership of undeveloped SATD land at the time bound by the PRAs, and only in a management role over what had been built (Wilonsky, 2009). Considering the financial uncertainty of the recession, the oversupply of luxury residential, the perception of initial failure, and the primary ownership interest now residing with a party other than that which was the visionary driving force, there were legitimate questions concerning the speed of further development. In turn, the state standard of but-for (that in the reasonably

foreseeable future private finance alone would not solely cause development) is more likely to have been met in the post-2008 years leading up to the 2012 Amended Plan.

Beyond the recession and finance issues however, even as the economy has recovered and strong development has been seen in Victory and neighboring areas, the PRAs have still limited the speed of build-out by necessitating parking replacement within the SATD. Typically the construction of parking garages is a less efficient investment for a developer, and this may be accentuated where the build-out of uses that can make for a strong internal rate of return on parking (such as commuter commercial office space) is incomplete and there are ample lower cost alternatives (such as surface lots) (see generally Arnott, 2006). While event periods provide obviously stronger demand, they overlap with downtimes for commuter parking, allowing commuter parking to undercut the event premium. In the SATD, the mandated space requirements have retained a glut of surface lots that have reduced the viability of parking garages.

Thus the City's TIF subsidization of a necessary but less attractive investment for the private sector (especially considering the change in Victory's ownership), may be the strongest fulfilment of but-for in the entire 20 year exercise. However, this is undermined by the driving cause of but-for being artificially imposed minimum parking requirements. Absent the PRAs many of the surface lots would not have had to await the construction of garages for development to commence. In turn, especially considering the strong construction market immediately outside of where the PRAs apply, surface lots would have likely been more rapidly built upon and garages would have more quickly become financially viable due to the reduced surface lot competition and increased demand from build-out.

5.4.3. Capture

Intertwined with the analysis of but-for is the issue of capture throughout the SATD development, including the arena construction, as well as the pre and post-recession phases of Victory Park. In each period the incentives, objectives, and options present for the driving government and development parties have uniquely altered the form and outcomes of capture. However, the oscillating phases of bargaining have seen the underlying theme of the City's actions framed by its competition with other jurisdictions for desirable forms of development and population, and the ability of the involved developer parties to exploit, capture, and monetize the City's pursuit of those ends. Furthermore, this sequence and the subsequent outcomes can be largely viewed through the lens of basic bargaining theory, namely that the involved developer parties used the timely exercise of both "outside" then "inside" options to leverage public means (such as TIF) to their benefit, with the City left to make the most out of ever more limited and unattractive alternatives (see Muthoo, 2000).

What is Capture?

There is little consensus on the definition and conceptual scope of capture. Wilson (2019, 76) views capture as occurring "when most or all of the benefits of a program go to some single, reasonably small interest (and industry, profession, or locality) but most or all of the costs will be borne by a large number of people (for example, all taxpayers)." Capture can also be thought of as a spectrum between more broad and narrow definitions (Wren-Lewis, 2010). Dal Bo (2006, 203) proposes that broadly "regulatory capture is the process through which special interests affect state intervention in any of its forms," while it is more "specifically the process through which regulated monopolies end up manipulating the state agencies that are supposed to control them." Closely related to capture are two concepts noted in Chapter 2: first, the principal-agent

problem whereby an agent acting for a principal is incentivized to act in its own best interests as opposed to those of its principal (see Boehm, 2007). This problem is often compounded by, second, information asymmetry where the agent's position becomes further entrenched through the absence of an informational basis for the principal or third parties to attack questionable practices (2007).

In the case of the SATD, this section argues that the developer interests leveraged their bargaining position and asymmetric information to create a de-facto monopoly within the SATD that was able to affect the range of options available to the City, and allowed for the subsequent manipulation of the City's local economic development agency (the OED). In turn, the agency itself was able to use information asymmetry to implement outcomes that benefited the agency's own interests more than those of the general polity. However, the benefit to the agency's welfare was eclipsed by the upside the special-interest group (the developer parties) experienced.

Capture in the SATD

The initial arena deal phase saw the City seemingly driven by two related objectives: retaining the teams within the City, and transforming its central core neighborhoods from a commuter office cluster to a more diversified urban experience with a stronger tax base that could compete with the suburbs. By 1995 Dallas had elected Ron Kirk, who had explicitly prioritized a new downtown arena as central to the fight against tax base erosion (Pendleton, 1995). While the previous ownership of the Stars and Mavericks had lobbied hard for a new facility and threatened suburban relocation, public professional sports subsidies were a hard sell with taxpayers still paying debt from the then 15 year old Reunion Arena (1995). These difficulties were consistent with the literature discussed in Chapter 2 showing that high-growth

western and southern cities lack the entrenched local growth coalitions and economic desperation of older cities in the northeast and Midwest that drove publicly funded projects in these locales (see Delaney and Eckstein, 2006). Particularly relevant to Dallas, the same study demonstrated that arena proposals pushed primarily by teams and local government figures, as opposed to strong local growth coalitions, faced more substantial hurdles through more directly visualized corporate welfare (2006).

For Dallas then, with the absence of an entrenched local growth coalition to take the lead, the answer came in much the same form as it had for Reunion Arena – a promise of major master-planned private real estate development centered on a publicly funded arena (D Magazine, 2013). Despite the uneven outcomes of the Reunion project, Perot's acquisition of the Mavericks to facilitate an arena-driven urban development was the value-add needed to build a sufficient political coalition to surmount the structural obstacles and move the process forward.

In the stops and starts of deal-making, with lingering memories of losing the Cowboys to suburban Irving and failed development promises around Reunion Arena (see Miller, 1997), TIF was a relatively benign addition to both sweeten the deal for the teams and an incentive that would only be realized upon delivery of the promised real estate development. Although with the stated goal of using public funding sources that would supposedly not be borne by local taxpayers through so-called "tourist taxes," there were alternatives more directly tied to the arena to increase the upfront public funding package. However, options such as ticket or arena parking taxes would have cost the teams more on the backend through limiting their room for price increases. Thus TIF can be seen as the next best option for both the clubs and the City, with the theory being that the subsidy would only arise if development was delivered, regardless of whether or not the subsidy spurred faster development.

With eyes fixed on first building the arena to retain the teams and using the promise of adjacent development to build an arena coalition, the City was primed to be captured by the developer parties in ways that did not cost the taxpayer up-front and that were not likely to be issues in the near future. The manifestation of this capture was the TIF subsidy that had questionable relation to spurring development on a but-for standard, and the PRAs that hamstrung build-out in more recent years. Yet at the time, the political objective of building the arena and retaining the teams was achieved alongside the likely realization of a potentially transformational neighboring development – efficiency or mitigating against what should have been foreseeable but longer-horizon problems was not likely to get in the way of the primary objectives.

Further, while these issues should have been foreseeable by sophisticated parties, less sophisticated opponents or the public would have more difficulty both identifying possible issues and their adverse consequences. However, the problem of capture driven by asymmetric information took a unique turn in this instance as Hillwood itself partially miscalculated – the primary issue with the PRAs has debatably inflicted greater pain on Hillwood than the City (see Case, 2011). Namely, the PRAs were to the benefit of the City and the lease-holding clubs, the Stars and Mavericks (Dallas Office of Economic Development, 2012b). At the time of the PRAs, since the teams were owned by parties directly invested in and driving ancillary development, making the PRAs to the benefit of the clubs seemed to be a means of protecting club resale value by ensuring that the teams would have sufficient nearby parking. However in the context of Perot's initial interest in the Mavericks stemming solely from real estate development, when Perot sold the club to Mark Cuban in 2000 (albeit at a hefty profit), the benefit of the PRAs

passed to an owner far more concerned with ensuring adequate event parking (Case, 2011) than sacrificing fan convenience for someone else's grand real estate ambitions.

Bargaining and Capture After Arena Construction

The initial post-arena deal problem however stemmed from Hillwood and Perot being able to dictate the pace of development as they saw fit, made evident when shovels failed to break ground on projects beyond the arena. As Hillwood attempted to extract a more generous subsidy package than had already been authorized, the City Council, now with the arena built and vocal arena opponent Laura Miller in the mayor's pulpit, had far less will to give in. Combined with no contractual obligation (City of Dallas, 1997) to provide adjoining real estate development, as well as the less attractive post-9/11 finance and market landscape, the parties were at an impasse.

In this instance there was a mutual breakdown driven by two exogenous interventions: the election of the arena deal's strongest public opponent as mayor and the change in market conditions. Instead of spurring impatience (the valuing of time over money) from one or both of the parties to cause a deal to close more quickly, the breakdown did the opposite. Here the developer was willing to wait out the recession or receive a further subsidy to move more quickly, and the City Council at this point was not open to new subsidies (see Brick, 2002). This impasse was accentuated by the developer parties' "inside" option – their control of the undeveloped SATD lands allowed them to benefit through increased demand for both developed and bare land if the recession was waited out.

Hillwood's inside option can likewise be viewed as a form of capture over the OED insofar as the COC and Hillwood, through their exclusive ownership of developable SATD

lands, were the only means through which the OED could achieve what would appear to be its best outcome. While the OED is City Council's agent, it has an institutional incentive for success in its economic redevelopment programs, the most significant and localized of which are TIF and Public Improvement Districts. Thus, while the City at this point had leadership far less politically interested in further subsidizing Hillwood, and the optimal public benefit outcome would have likely been expedient development with no new subsidies, the OED's internal incentive was to assist in the execution of a successful TIF district in terms of both visual transformation and assessed value increases.

For the OED, a bolstered TIF incentive could demonstrate the validity of but-for and showcase a TIF success story directly prompting development. However, when the developer parties revealed their preferred further subsidy to be some form of general bond issue as opposed to expanded TIF, or even in lieu of TIF altogether (Brick, 2002), there became far less institutional incentive for the OED to desire, let alone actively pursue a non-TIF centered outcome. Thus, no further development occurred until a market recovery.

While all parties were generally pleased with the market-prompted development in the 2003 to 2008 period, the Great Recession changed matters significantly. Beyond the stalling of construction leaving Victory in a seemingly half-finished state, the previously noted urban planning failures and the transfer of ownership interest for the completed portions of Victory contributed to a second breakdown. Here the entry of new ownership for Victory and the sports teams, the weakening of the original developer parties, and natural turnover in elected officials, all still bound by the original framework, left the City as the party with the greatest capacity to rectify the situation. With new elected officials having a questionable political stake in decisions

made more than a decade prior, the operationalization of the City's capacity to act came from the institutional interest of the OED in seeing a successful SATD project.

The Amended Plan

The 2012 Amended Plan was the core element of this course correction. This Plan had two primary objectives: first to rectify the public realm shortcomings, and secondly to build parking garages to free surface lots for construction (Dallas Office of Economic Development, 2012a). Alongside the obvious perception that public funds were being used to correct Hillwood's mistakes to the primary benefit of Hillwood (still the owner of most undeveloped surface lots in the SATD), implicitly came the inclusion of a third objective to construct the necessary political coalition. This third objective was to divert increment from the SATD to fund a new sub-district in West Dallas, a long blighted and traditionally poor neighborhood on the other side of the Trinity River. To solve the problem of a Texas TIF district needing to be geographically contiguous, a second long and narrow new sub-district, Riverfront Gateway, was also added. With almost all of the non-Victory increment allocated to West Dallas, Riverfront Gateway can be literally viewed as a money funnel to West Dallas.

The benefit to attaching a West Dallas sub-district to the SATD amendment as opposed creating a new TIF district is that increment has flowed much faster than it otherwise would have for an area where developer interest is weak. In West Dallas, while assessed value has increased from the 2012 base of $11.6 million to $25 million in 2016, this translates into less than $100,000 in increment for the City and is well below the 2012 projections (2012a; 2016). Compared to the hundreds of millions in increment generated by the SATD, the up-front effect is similar to that of a TIF bond issue without the corresponding interest or risk. Ironically enough,

in the process of political logrolling to attach the West Dallas sub-district, the SATD perhaps found its strongest organic component of but-for – West Dallas is truly blighted and there was seemingly little prospect for major development in the near future without public subsidy.

With the syphoning of a significant share of increment to West Dallas, the political coalition was in place to fund the triage job necessary to transform Victory into a completed TIF success story. The importance of West Dallas, alongside the residue of previous developer capture, can be seen through the priority of TIF reimbursement in the Amended Plan. After pre-existing obligations, the first priority went to interest bearing grants in equal amounts to Hillwood and the COC for parking-related consulting, and the West Dallas "set-aside" received second priority (Dallas Office of Economic Development, 2012a, pp. 31-33). These priorities were most notably in advance of funding for the parking garages that would negate the adverse impacts of the PRAs.

While the West Dallas priority can be logically attributed the necessity of political coalition building for the Amended Plan (akin to the concept of pork identified in Chapter 2, or logrolling discussed in Chapter 3's overview of Nationals Park), the consulting fees are more puzzling. In a strengthening nearby real estate market, Hillwood seemingly had even more to gain from a quick resolution of the parking situation and no real bargaining power over the City to extract the priority concession. On their face, the parking consulting fees were a direct public subsidy to study a mostly private problem mostly created by the private parties subsidized to study the problem. By 2012 however, arena parking had become the subject of multiple lawsuits between Perot and Cuban (Case, 2011), and the COC, instead of being a joint venture between Perot and Hicks, had passed along with the majority stakes in the Mavericks and Stars to Cuban and Tom Gaglardi respectively. Thus, the priority can be seen as a "children play nice" grant –

an attempt to facilitate a solution to the parking issue that could satisfy all parties with the City, through the OED, trading the reimbursement priority for expediency.

While rewarding the spats of billionaires may not seem like a subsidy that would pass public scrutiny, it can be explained through the concept of slack. As described by Levine and Forrence (1990) in the broader regulatory capture context, "slack" is created by "high information, monitoring and organization costs" that protect bureaucrats and politicians from being held accountable – the public has insufficient "incentive to learn issues well enough to comprehend their impact or to monitor and discipline the behavior of all those officials whose acts might affect them" (1990, p. 185). While the authors assert that slack can be used to benefit special interests in return for campaign contributions, support for appointment, or future private sector opportunities, there is nothing to suggest anything as nefarious in the SATD context. Instead, slack was more likely used to move a project forward that the OED could honestly believe was of benefit to the greater polity, while also promoting the OED's institutional utility.

Thus the slack-covered sausage-making process to provide $50 million in funding to the most crucial aspect of the Amended Plan, parking garages, came at the expense of more than $3 million in "children play nice" grants to the COC and Hillwood, and over $90 million in increment syphoning to West Dallas (Dallas Office of Economic Development, 2012a). While in 2012 this may have been the most expedient way to spur new construction and assessment gains for the City, as well as correct previous public realm shortcomings, the benefit for municipal coffers is a fraction of that to be seen by the very parties responsible for underperformance and through which an effective monopoly capture was created. However for the OED, the ultimate success of a flagship incentive project and (as noted in Chapter 2) execution of a typically once-in-a-metro area development opportunity (a major professional sports arena district), could sell

its value in making Dallas a more complete and attractive destination in the competition for firms, talent, and tax-base.

In the end though, the Amended Plan has been a success in its primary Victory Park objectives. As of 2015, available garage spaces have released many of the remaining Hillwood surface lots for development (Dallas Office of Economic Development, 2016). With a strong market for land in the vicinity, a complete, connected, and sustainably vibrant urban community is beginning to emerge 20 years after the major arena negotiations took place. However, the success in neighborhoods immediately outside of the Hillwood-dominated TIF zone leaves the glaring question of whether a far more efficient and taxpayer-friendly result could have been achieved without the false barriers imposed by the PRAs?

5.5. IMPLICATIONS

In the 20 years since the Arena Master Agreement, the original SATD lands have gone from a contaminated brownfield to the home of one of the busiest sports arenas in North America and an estimated $1.6 billion in new construction. Yet as a neighborhood, Victory Park is locally regarded as a bust and development has been uneven at best, especially when compared to certain nearby areas (elaborated on in the subsequent Dallas case study). While TIF has paid for substantial public improvements, the SATD has fallen victim to two common, and in this case overlapping, TIF criticisms. First, there is little to indicate that prior to the 2008 recession there was but-for present – instead, market conditions as opposed to TIF subsidy drove developer timelines. Secondly, the issue of TIF transparency manifested itself through regulatory capture. Here the developer parties were able to leverage bargaining power and overlapping interests with the local economic development agency to garner unnecessary subsidies that the broader polity

had less individual interest in and capacity to challenge. Once the capture framework was established, the decisions available to the City were limited to making the best of a flawed existing structure. Although TIF funds later became important in correcting mistakes and freeing surface lots to be built upon, this iteration of but-for was manufactured out of poor decisions driven by the developer parties at the project's inception.

This faux but-for and use of TIF as an instrument of developer capture was incubated by Texas' highly-permissive TIF statute as well as the will of elected municipal leadership and the City's agents to compete for firms and talent through the provision of the amenities and built forms that these targets were perceived as desiring, as noted in Chapter 2. At the end of the day however, Dallas will broadly get what was originally envisioned, but on a longer and more painful timeline, and with a TIF subsidy that appears to have not been truly necessary beyond its role in removing artificially imposed parking restrictions.

The Dallas SATD experience demonstrates how TIF can be a relatively low-risk throw-in if a subsidy package requires bolstering to complete a facility deal insofar as the subsidy (in a pay-as-you-go TIF) will only materialize proportionate to new development. However, for both cities and citizens, the Dallas case also underlines the importance of initial deal frameworks. The SATD serves as a warning that unintended consequences (in Dallas, the PRAs) and sub-optimal bargaining positions can result in the capture of public agents and the provision of unnecessary subsidies to private parties. More specifically, if the facility project is premised on the promise of ancillary real estate development, a legal commitment to that end with penalty clauses for non-compliance places the public jurisdiction in a stronger position relative to an instance, like Dallas, where there was no such obligation. These threads are further built upon in subsequent case study chapters as well as Chapter 9.

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CHAPTER 6. DOES THE ARENA MATTER? COMPARING REDEVELOPMENT OUTCOMES IN CENTRAL DALLAS TIF DISTRICTS

6.1. PURPOSE

Using a comparative case study approach, this chapter builds upon the work of Chapter 5, and examines the use of TIF more broadly in Dallas downtown redevelopment. The range of similarly core proximate Dallas TIF districts without a major sports venue, provides a strong opportunity to relatively situate the use of TIF in a sports venue context, with the primary aim of the study being to find out whether the arena anchor makes a substantial difference in development outcomes? For this chapter, development outcomes are conceived and measured in two ways: quantitative value and urbanist revitalization. The almost two decades of comparison available in Dallas provides rare quality of reference for jurisdictions contemplating similar projects.

This survey and comparison indicates that the SATD can be viewed as a qualified success at a premium price. Other adjacent districts have been able to create more vibrant urbanist infill more quickly with fewer subsidies. However relative to the larger suite of downtown adjacent TIF districts studied, the SATD has almost 20 years later delivered a mostly complete, high-density neighborhood where several other similarly core adjacent TIF districts have seen lesser, little, or no transformational investment.

6.2. METHODS

To facilitate comparison between downtown area Dallas TIF districts, this chapter uses comparative case studies to assess quantitative and urbanism performance. First, adding to the study in Chapter 5, a comprehensive data set was created for eight active and expired Dallas TIF districts from City and County annual reports. Five of these TIF areas have been developed into brief descriptive cases representing the arena district (the SATD), as well as two instances each of developer-driven (State-Thomas and Cityplace) and city-led (Deep Ellum and Grand Park South) revitalization efforts. As expanded upon in the subsequent TIF district overview, the descriptive cases beyond the arena are also selected for how well they represent either significance to the history of TIF development in Dallas, or common socio-economic profiles. In all eight TIF districts the following variables have been collected: increment generated, average annual increment generated, percentage of increment projection met, annual per acre assessment gains, increment gain per unit of subsidy, incremental gains per acre, and population density.

While it is highly unlikely that any study of this nature including a TIF utilizing major league sports facility will have a perfect baseline, the framing of the study and variables selected are intended to account for as many sources of divergence as possible. First, the TIF districts are selected for their similar relative core proximity in the same legal jurisdiction. Although a study comparing TIF districts in different cities may be tempting, the deviation of TIF statutes by state law and local policy is a very difficult obstacle to accounting for the same baseline. Likewise, legal jurisdictions in different regions (or even within the same region) will have a diverse range of economic and market conditions that will make baselining a further challenge.

Having sidestepped this primary problem through comparison within the same legal jurisdiction, the collected variables are designed to mitigate other outstanding baseline issues,

based upon data consistently provided by the City. For instance, average annual gain addresses the difference in active years, growth per acre accounts for different TIF district sizes, incremental gain per unit of subsidy accounts for how much TIF funding is used, and gain per subsidy unit per acre is intended control for the amount of subsidy provided and the size of the district.

Urbanism performance is designed as a further means of alleviating baseline issues if this were solely a quantitative study. For the five descriptive case studies, this gage of performance is conceptualized and synthesized as market demand for the built form, vibrancy, and local perception of area success as recorded through government, academic, media, and industry sources, with a focus on reviewing interviews with key actors. The primary method is document review, with sources found through a snowball technique. This extends to the interview component, as analysis and synthesis of past interviews and opinion in media sources allowed for considerably more access to important actors, as well as perspective contemporaneous to events that cannot be spun later to portray these events in a way these actors may prefer.

Finally, these documentary and previously discussed quantitative sources are complemented by Walk Score data, which effectively aggregates key neighborhood level principles of urbanism. Walk Score is also collected for the three TIF districts not built into case studies. With Walk Score, each street address is provided a score out of 100 through analyzing density, block length, and walking distance to amenities. Previous work has found strong correlations between Walk Score and reliable assessment of pedestrian access to amenities (Carr et al., 2010).

Table 26. Walk Score®	Description
90–100	Walker's Paradise Daily errands do not require a car.
70–89	Very Walkable Most errands can be accomplished on foot.
50–69	Somewhat Walkable Some errands can be accomplished on foot.
25–49	Car-Dependent Most errands require a car.
0–24	Car-Dependent Almost all errands require a car.

The primary limit on Walk Score data is that it only goes back to 2014. Thus Walk Score can assess the current condition and changes since 2014, which is useful in establishing what has happened in the SATD relative to other TIF districts in the period where SATD development has been most active (Dallas Office of Economic Development, 2016a). The current baseline is created through averaging the 2017 Walk Score of the 10 largest developments (in construction value) in a TIF district since its inception. To compare with 2014 results, the aggregate is reduced by the score for the zip code best overlaying the district.

6.3. COMPARING TAX INCREMENT FINANCING DISTRICTS IN CENTRAL DALLAS

6.3.1. The Eight TIF Districts

The TIF districts in this chapter all roughly touch the tangle of freeways surrounding the Dallas central business district and were substantially blighted at their respective times of TIF district initiation. From the SATD in the west, Downtown Connection fills much of the real estate to the northeast until the borders of State-Thomas and Cityplace. With the exception of

Downtown Connection, these four districts are developer-driven TIF districts. The other four districts for which data is collected are clustered in a southeasterly direction. While Grand Park South and Deep Ellum are well discussed later, Cedars is a district to the south that shares many demographic and development challenges to Grand Park South. Likewise, Farmers Market, based upon the anchor of the Dallas Farmers Market, has demographic and locational similarity to Deep Ellum, with the two being separated by the freeway loop. All four of these southeasterly clustered district fit the City-led development heading.

Table 27.
Central Dallas TIF Districts

Name	Years active before 2016	Density per sq. mile	Acres	County rating
State-Thomas (1)	27	32319	100	1
Cityplace (2)	24	14476	160	1
Cedars (3)	24	1156	247	3
SATD-Victory (4)	18	9315	72	1
Farmers Market (5)	18	3998	43	1
Downtown Connection (6)	11	7894	450	1
Grand Park South (7)	11	4256	228	4
Deep Ellum (8)	11	2931	157	3

Table 28.
Central Dallas TIF District Performance

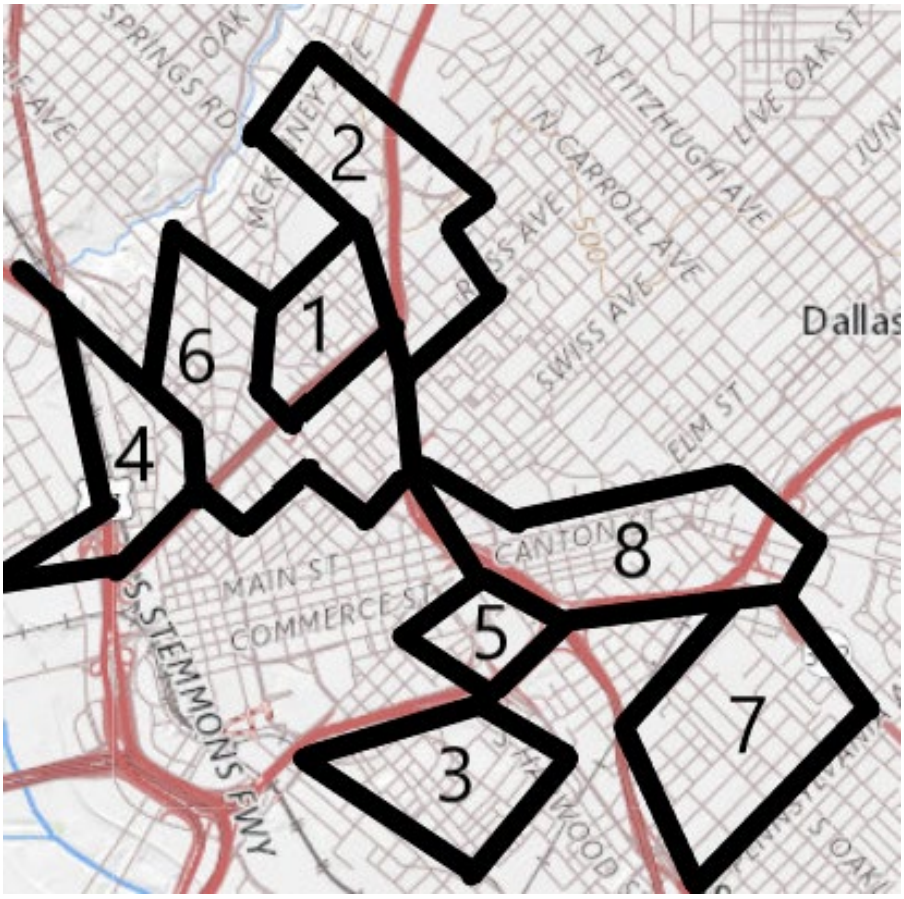
Name	Value gain ($m)	Ann. gain ($m)	Share proj. met (/1)	Grow. per acre ($m)	Ann. per acre growth ($m)	Gain per unit TIF	Gain per subsidy unit per acre
State-Thomas (1)	568.9	21.1	0.85	5.69	0.21	21.8	.0081
Cityplace (2)	775.9	32.3	1.25	4.85	0.20	18.4	.0048
Cedars (3)	104.8	4.4	0.67	0.42	0.02	13.6	.0022
SATD-Victory (4)	684.6	38.0	0.89	9.50	0.53	6.7	.0052
Farmers Market (5)	260.9	14.5	1.15	6.07	0.34	8.9	.0115
Downtown Connection (6)	2614.8	237.7	1.38	3.48	0.52	6.6	.0013

Grand Park South (7)	13.8	1.3	0.18	0.06	0.01	65.7	.0262
Deep Ellum (8)	183.3	16.7	1.12	1.17	0.11	27.8	.0161

Table 29.
Walk Score Performance by District

Name	Comp Walk Score 2017 (/100)	Walk Score gain since 2014
State-Thomas (1)	91	3.5
Cityplace (2)	89	5.2
Cedars (3)	62	14.0
SATD-Victory (4)	80	9.0
Farmers Market (5)	75	7.0
Downtown Connection (6)	85	9.0
Grand Park South (7)	50	14.0
Deep Ellum (8)	75	7.0

Figure 2. Approximation of Dallas Core TIF Districts (numbering same as Tables 26. through 28.)



6.3.2 The Sports Arena TIF District – Victory Sub-district (SATD)[6]

To recap from the previous chapter, after several false starts, the first phase of Victory Park rose between 2005 and 2008, seeing the construction of 800 high end apartments and condos, office towers, and a W Hotel, alongside 200,000 square feet of retail space (Dallas Office of Economic Development, 2016a). However, the Great Recession led to cancellation of the Mandarin Oriental anchored bookend to the W Hotel, as well as foreclosure on most of Hillwood's Victory interests (Lau, 2015; Schnurman, 2010). The half-finished streetscape experience was accompanied by occupancy struggles for the completed luxury retail and housing elements (2015; 2010).

Figure 3. Sports Arena TIF District (Dallas Office of Economic Development, n.d.).

[6] Unless otherwise noted, "SATD" in this Chapter refers to the original SATD Victory Sub-district.

Quantitatively, the SATD has generally performed well. Of this chapter's TIF districts, the SATD has seen the second greatest annual growth, and its gross and annual growth by acre is second to none (Table 28.). Yet despite some of the strongest gross and annual average performance in assessment growth, the underperformance of lofty projections has overlapped with the local perception of Victory Park as an underachieving project (Schnurman, 2010; Table 28.).

As noted in Chapter 5, Victory has been marred by planning, phasing, and use mix issues that have produced an experience not reflective of the financial investment (Dallas Office of Economic Development, 2013a; Schnurman, 2010). The coupling of luxury residential and services hindered by a lack of residential demand, starved retail of traffic and the streetscape of vibrancy (2010). Even during event periods, there has been a mismatch between patrons and amenities, extending to the influx of office workers following the construction of commercial space (2010). This was compounded by one-way roads surrounding the arena designed to move vehicles at speed, with the effect of prohibiting a pedestrian friendly connection to adjacent neighborhoods (Dallas Office of Economic Development, 2013a). The arena parking and transport options also meant that most visitors could easily avoid Victory altogether.

Other issues have stemmed from the parking agreements whereby an effective veto was provided to the major league tenants over adjacent surface lot construction. While the developers originally also owned the sports teams, ownership has changed, with the clubs more interested in ensuring easy parking access than realizing the real estate vision. Combined with the recession, which saw Victory foreclosed and Hillwood relegated to a secondary role, the SATD was left half-finished (Schnurman, 2010).

These shortcomings were well explained in the 2012 Amended Plan. Increment was prioritized for parking garage construction, streetscapes, storefronts, traffic routing, and pedestrian access, as well as diversifying the retail and commercial mix (Dallas Office of Economic Development, 2012b). However the challenge of replacing surface lots with garages has consumed the majority of TIF funds, seeing much of the increment generated by one of the most financially successful Dallas TIF districts allocated to rectifying a flawed legal and parking framework (Dallas Office of Economic Development, 2012a; 2013a; 2016a). The outcome is sharpened considering the strong demand for developable land immediately adjacent to where the parking agreements apply (2016b).

This combination of activity accompanied the average Walk Score for the zip code overlaying the both the SATD and this adjacent zone increasing nine points between 2014 and 2017, with the most recent SATD composite score at 80.3. As later discussed, these gains might be best explained two ways: TIF improvements solving parking and planning issues, and this area representing the next best land option to build upon previous neighboring success.

6.4. TIF DISTRICTS WITH DEVELOPER-LED URBANISM

6.4.1. State-Thomas TIF District

The Dallas TIF story starts in 1989 with the 100 acre State-Thomas district. Partially encompassing the Uptown neighborhood, the area was 95% vacant at the time of its creation, allowing for easy assembly (Dallas Office of Economic Development, 2018a). The ensuing 20 years saw 3,000 residential units and $350 million in construction value added, with assessed value increases in excess of 800% (2018a). TIF funded 15 residential projects with a combined

$22 million in grants over the district's lifespan, and these TIF funded projects accounted for roughly 75% of incremental construction value (2018a).

Relative to the SATD, financial performance appears inferior (Table 28.). Much of the difference can be reconciled through density and scale – while the SATD is still far from filled-in and State-Thomas lacks development sites, the SATD has far taller buildings (Dallas Office of Economic Development, 2010; 2016a). Although in some ways Victory is more densely built, State-Thomas and Uptown have density on a scale more attractive to the market (Allison, 2009). Indeed, State-Thomas is considered in City documents to be one of Dallas' "most successful examples of mixed-use neighborhood development" and has been offered as a model for the benefits of TIF (Dallas Office of Economic Development, 2010, p. 4; 2018a). This image extends to more general perceptions in media, with developers, and external governments (Allison, 2009; 2014; Davis, 2013; Lentz, 2008; Shaw, 2005).

Figure 4. State Thomas TIF District (Dallas Office of Economic Development, 2010, 2).

Important to the success of Uptown was the right developer with the right vision, who was able to prove a concept new to Dallas, and in turn attract a snowballing movement of investment to infill the area (Allison, 2014; Leinberger, 2010; Shaw, n.d.). The developer, Robert Shaw, studied and implemented the vision of Jane Jacobs (2014). Although Jacobs proposed that an absence of zoning would deliver organic and vibrant outcomes, since this form was so alien to Dallas, Shaw pressed the City to codify concepts such as narrow setbacks and indented street parking, along with a plan for streets that prioritized walkability and density (2014). Likewise, the remaining stock of historic Victorians were saved (Prior and Kemper, 2005).

Taking advantage of low land prices and being a rare source of investment in a local downturn, the vision was able to gain initial financial viability and leverage City support

(Allison, 2014; Shaw, n.d.). By 1997 however, the Shaw proof of concept had not quite reached critical mass and much of State-Thomas remained vacant. Here TIF reimbursement for infrastructure costs helped close a financial gap to make projects viable for developers more quickly than they otherwise would be. These TIF investments in the late 1990s and early 2000s contributed to almost 1,500 units of housing completed between 2000 and 2003, and brought a critical population mass (Allison, 2014; Dallas Office of Economic Development, 2010). This was followed by other projects not using TIF, which saw the district almost infilled by its final report in 2010.

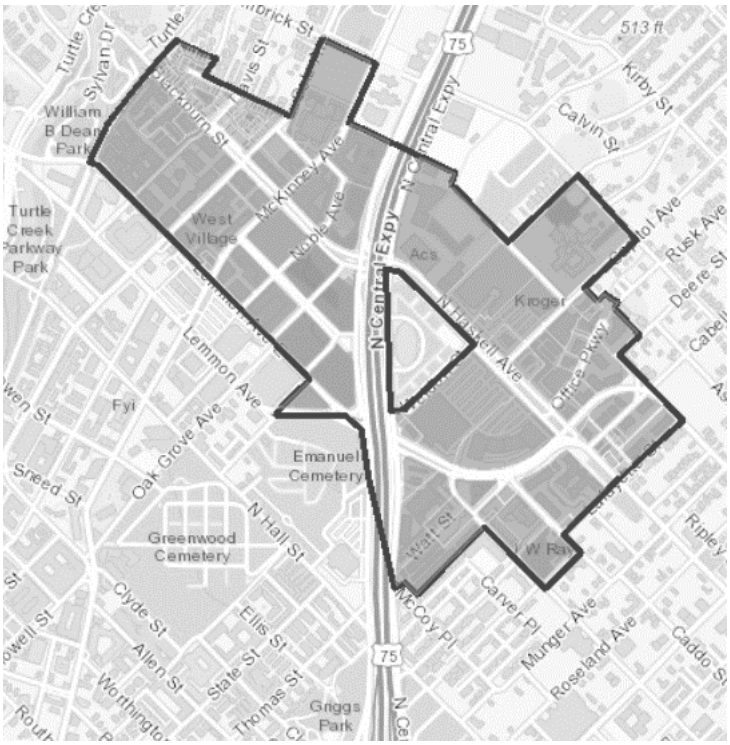
Today, Uptown and State-Thomas are the respective urban gold standards in Dallas neighborhoods and development incentives. Uptown is a primary nightlife hub, but maintains vibrancy through the day with café-culture, restaurants, and unique retail. The mix in uses and demographics is complemented by a variety in street-focused architecture and a pedestrian-centered environment (Allison, 2009; 2014). The State-Thomas composite Walk Score is 91, with zip code scores having increased by 3.5 points in four years, also representing the second highest score in Dallas. While scores have improved in the past four years, there is little left to infill, leaving developers with the objective of building another Uptown (2014). For taxpayers, hundreds of millions in assessed value has come from clear blight and relatively limited subsidies (Dallas Office of Economic Development, 2010).

6.4.2. Cityplace TIF District

Just beyond State-Thomas, the Cityplace TIF district is bisected by the North Central Expressway approximately 1.5 miles north of the SATD. Initial TIF funds subsidized infrastructure to lure national retailers through closing a land cost gap relative to the suburbs

(Garrison, 2006). Subsequent phases moved to attract residential development. Although retail construction saw external developer interest, the Cityplace Company held out for its preferred urbanist vision, eventually building its own residential proof of concept (2006). However, a flood of residential construction did not follow until the early 2000s after the opening of Cityplace's DART (light rail) station and the boom in neighboring Uptown.

Figure 5. Cityplace TIF District (Dallas Office of Economic Development, n.d.).



This second phase development, the master planned and mixed-use West Village sub-district, has become the core of Cityplace and its connection with Uptown. The West Village was planned on a TIF funded street grid, surrounded by TIF funded infrastructure, with ground level retail and three to five stories of residential above (Dallas Office of Economic Development, 2013b). As in Victory Park, there was pre-existing land assembly (Prior and Kemper, 2005) cited as helping facilitate phasing opportunities (Garrison, 2006).

Cityplace has seen the construction of over 3,300 housing units, as well as 740,000 square feet of commercial space, translating to $660 million of incremental assessment by 2013 (2013b). Of the $43 million raised by TIF, almost $7 million went to direct development reimbursement grants (2013b, 23). Compared to TIF districts in this chapter, Cityplace has seen the second most assessment growth, the third greatest annual gross growth, and has exceeded its initial growth projection by 25% (Table 28.). As of 2018, the composite Walk Score in the West Village was 89, while in Cityplace as a whole it was 83, with zip code scores increasing by 5.2 points from 2014.

6.5. TIF DISTRICTS WITH CITY-LED REDEVELOPMENT

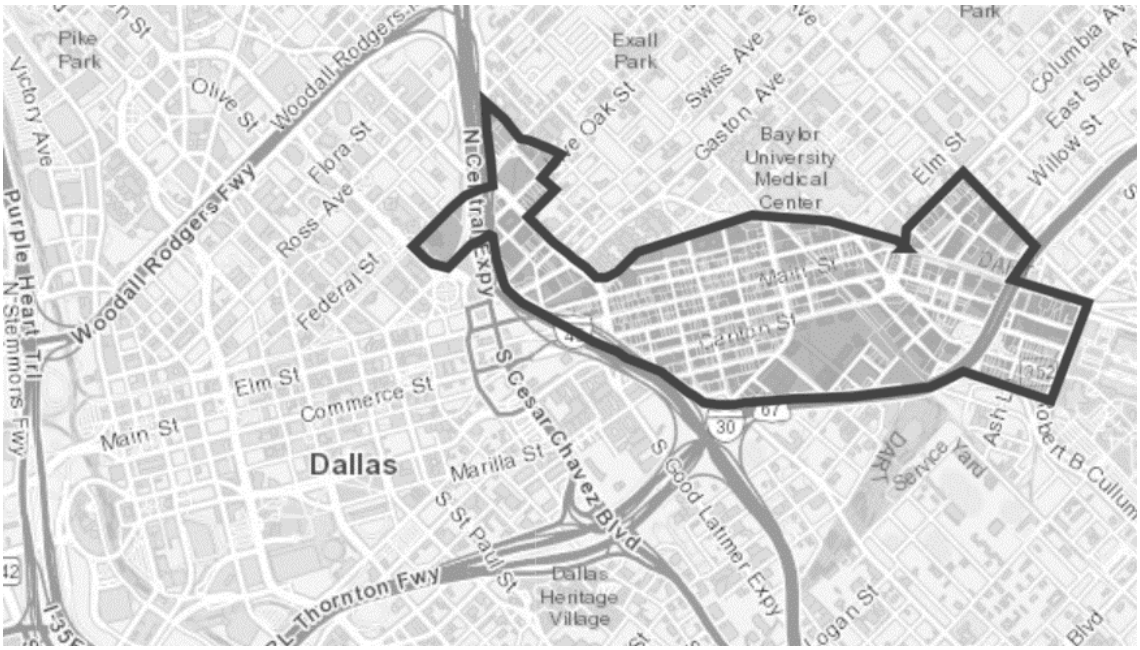
6.5.1 Deep Ellum TIF District

Opposite the elevated Interstate 345 spur to the Farmers Market, Deep Ellum is a former warehouse district turned nightlife area. By the 1990s, Deep Ellum had almost 60 bars and nightclubs, but crime, closure of music venues, and the departure of start-ups saw the area decline by the mid-2000s (Gage, 2017). Instead of a developer driven vision based on previous land assembly, the City-led plan saw potential to use TIF in transforming Deep Ellum (Dallas Office of Economic Development, 2016d). With a DART station less than three blocks from both the nightlife core and the Baylor University Medical Center, a more diversified, mixed-use, and transit oriented vision seemed viable.

Since TIF's inception, Deep Ellum has seen the construction of over 700 residential units, 65,000 square feet of office space, and 15,000 square feet of retail (Dallas Office of Economic Development, 2016d). However Deep Ellum significantly trails State-Thomas, Cityplace, and the

SATD in almost all quantitative categories (Table 28.), with the County giving the district a third-tier rating (Dallas County, 2016). Besides reimbursed subsidies for commercial office space, TIF commitments were concentrated on streetscape and infrastructure (Dallas Office of Economic Development, 2016d).

Figure 6. Deep Ellum TIF District (Dallas Office of Economic Development, n.d.).



Beyond purely quantitative comparison, the area has regained vibrancy and safety, with an increased ratio of restaurant and retail to nightlife venues (Gage, 2017), a composite Walk Score of 73, and zip code scores improving by seven points since 2014. In large part the investors that have upgraded existing buildings have put the City's mixed-use vision into practice through limiting nightlife dominance and not necessarily choosing the highest rent offered to maintain the draw of "cool" (Gage, 2017). However, it has taken time for major residential projects to emerge, with the first large complex completed in 2015, and a 17 story tower under construction in 2017 (Dallas Office of Economic Development, 2016d). These larger scale residential projects have been located on the relatively few mostly assembled blocks

in the area (2016d) and this absence of efficient assembly opportunities has hampered the ability for a critical resident mass to emerge, despite the area having many desirable components.

3.4.2 Grand Park South TIF District

Contemporaneously to Deep Ellum, the City created the Grand Park South TIF District. Grand Park is separated from Deep Ellum by Interstate 30 and a rail yard, and bordered to the west and east by Interstate 45 and the State Fairgrounds. With its land 35% vacant, many deteriorated structures, and existing infrastructure inadequate for new development, the area may have most visually resembled State-Thomas at its inception, although State-Thomas was both more abandoned and assembled.

Figure 7. Grand Park TIF District (Dallas Office of Economic Development, n.d.).

Whereas State-Thomas had a developer willing to commit capital and sell what turned out to be a winning vision, and Deep Ellum had a collection of developers willing to effectively implement the City's vision, Grand Park has had none of the above. Although there are assembly opportunities in the northern portion of the district walkable to light rail, most of the area consists of single family lots (Dallas Central Appraising, 2017). While sharing similar straight

line core proximity to State-Thomas and Cityplace, Grand Park is cut off by a deeper tangle of freeways and rail.

The absence of developer interest has seen Grand Park become by far the least successful Dallas TIF district by almost any quantitative measure (Table 28.). This failure has been explicitly acknowledged by both the City and County – in fact, Grand Park is the only TIF district with more than five years' activity to receive the lowest County rating (Dallas County, 2016). As of 2016 increment had reached a mere 18% of already low projections (Dallas Office of Economic Development, 2016e; Table 28.). The composite Walk Score is 55 and zip code scores have ranged from 46.7 to 60.9 since 2014, reflecting continued low density and car dependency. Although the challenges were significant, the "TIF and it will come" strategy of Deep Ellum has not been useful without private interest.

6.6. RESULTS AND DISCUSSION

6.6.1. Comparing Core TIF Districts

The comparison of core districts provides several larger takeaways. First, the City has seemingly been able to obtain similar or superior TIF district outcomes in a range of qualitative and quantitative categories absent an arena or comparable anchor, but with many other characteristics relatively consistent. Each of State-Thomas, Cityplace, and the SATD had largely been assembled at the onset of their respective TIF districts, but were substantially undeveloped and unpopulated. With Cityplace and the SATD, the similarities extend to master planning, light rail access, geographic size and core proximity. While Cityplace's West Village lacks the large destination amenity found in Victory Park, Cityplace has provided a mixed-use development

vision and experience more aligned with what the market wants, and has accordingly been deemed a success (Allison, 2009; Brown, 2010; Dallas Office of Economic Development, 2018b; Garrison, 2006), a notion supported by the collected Walk Score data.

Yet it is also worth noting that the County's classification of the 28 TIF districts in its jurisdiction rated the SATD, State-Thomas, and Cityplace among the five highest performing projects based on increases in construction value, outlining that these TIF uses "have dramatically transformed large areas that were previously vacant, blighted, or heavily under-utilized and produced a unique high-level/high-density form of development" (Dallas County, 2016, p. 4). The County makes the point that the most successful TIF districts have been those that either saw heavy interest from developers prior to their inception, or those that were developer initiated (Dallas County, 2016). It is also probably no coincidence that the most successful districts are geographically contiguous and center on Uptown – if developer interest indicates TIF success, then market demand for a similar location would seem to be a root of developer interest.

Indeed Farmers Market highlights the role of proximity to what has already worked. Contemporaneously to the SATD, much of the site was assembled by one developer and TIF closed an infrastructure gap to help spur mixed-use infill that has seen smaller scale success premised on a similar vision to Cityplace and State-Thomas (Dallas Office of Economic Development, 2016c). However, Farmers Market is at the opposite end of downtown from Uptown and has not led to the snowballing effect seen on the north side. While TIF has funded better pedestrian connections under the freeway to Deep Ellum, Farmers Market is still an urbanist island lacking critical mass, supported by a decent, but not exceptional Walk Score of 75.

Where a City-led vision has not been accompanied by a creative-class friendly draw or developer interest (Grand Park), progress has been difficult despite the presence of light rail and strong core proximity. Instead, TIF subsidized development has been most effective in Dallas when paired with a competent developer who can utilize and leverage TIF to more quickly catalyze a winning vision. This winning developer vision has been walkable mixed-use with mixed everything. The original and most successful inner city redevelopment partnership, Uptown and State-Thomas, saw a wide mix in uses, prices, rentals and owner-occupied housing, street fronts, as well as assembled and small lot developments. This mix has provided the experiential diversity sought by professional workers, and once a critical mass was achieved, a rapid buildout of anything proximate to this new core. Conversely, a vision premised on an exclusively luxury product was unsuccessful in Victory Park, despite itself providing a novel experience adjacent to Uptown.

6.6.2. Did the Arena Matter?

Quantitatively, TIF district performance and the impact of the arena relative to other districts without an arena can be conceived in a number of ways. This chapter frames the issue in two questions: what did each district create in gross terms, and what did each district create per unit of subsidy? As mentioned, in gross terms the SATD has performed at or near the top of its central Dallas peer class in a number of variables (Table 28.). In comparing starting states to 2016, there are three TIF districts that have seen over $500 million in assessed value growth and at least 10 times the starting assessment, as well as assessment growth of over $5 million per acre: State-Thomas, Cityplace, the SATD. Together these three measures can be considered

indicative of a transformation as they represent a district that has started from little and added a lot on both a total and a per unit basis.

Perhaps a more interesting question is what financial cost does performance come at? A key measure here is the ratio of incremental value to planned subsidy divided by years of TIF activity. While this measure can spuriously exaggerate small subsidies in underperforming districts (such as Grand Park), and not explain districts seeing back-loaded gains over longer horizons, it is the only measure in either official materials, or created based upon these materials, that accounts for each of the increment created, the subsidy to be provided, and the timespan since district creation. Planned subsidy is used as previous Dallas TIF research by Bland and Overton (2016) showed a significant relationship between planned TIF subsidy and private investment.

Although the SATD has impressively redirected real estate investment within the Dallas region, the SATD has seen substantial public subsidies expended in pursuit of that investment. The $685 million increase in assessed value in the SATD's first 18 years came at the cost of over $100 million in TIF subsidies spent through 2016, a ratio of 6.7 to 1. State-Thomas and Cityplace, where strong gross outcomes have also been seen, were able to respectively achieve assessment gains ratios of 21.8 and 18.4 to 1.

When the 2016 present value of the original $125 million direct arena subsidy is added to the SATD subsidy however, the ratio of assessed value created per subsidy dollar becomes 2.4 to 1. In this light, the SATD has seen assessment gains come at a considerably higher cost than in any other comparable TIF district. The arena can then been viewed as a relatively inefficient subsidy that has not produced assessment gains that could justify the large public cost.

Another aspect that the assessment gain to subsidy average overlooks is density. The argument for major league venue-based neighborhood development is partially premised on an arena being able to transform an underused area more quickly than alternatives through an influx of visits to a non-replicable regional amenity. This transformation can be viewed through development density, which is conceived as average yearly assessment gains per unit of subsidy divided by TIF district gross acreage. This conceptualization is in part selected upon the availability of mostly consistent data points across Dallas TIF districts.

Here the 72 acre SATD does well, nudging Cityplace for second among the TIF district peer class. Both far exceeded the performance of the 450 acre Downtown Connection (.0013), but trailed State-Thomas (.0081). Downtown Connection's lagging outcomes (as well as a limitation of this measure) can perhaps be explained by its significantly larger size and that much of the district was already infilled (although not the part outside of the freeway loop adjacent to the SATD), compared to the relative blank slates of the SATD, State-Thomas, and Cityplace.

Likewise, relative to State-Thomas, each of Cityplace and the SATD have had major limitations to development density – Cityplace originally saw much of its land allocated to low density big box retail and the SATD is restricted by minimum parking requirements that have seen the retention of surface lots. While State-Thomas has experienced the greatest assessment gains per unit of subsidy, its development has not seen the high rises of Cityplace or the SATD. Instead, State-Thomas is generally five stories or less, but was almost completely infilled by the TIF sunset in 2010 (OED, 2010) and had a much higher 2016 population density per square mile (32,319) than Cityplace (14,476) or the SATD (9,315).

From here the conversation moves to actual assessment gains relative to expected assessment gains. Expected assessment gains provide some insight into what the TIF jurisdiction

believes is feasible given the characteristics of the available land, land use regulations, and the market – three of the four commonly understood components of "highest and best" use. Further, TIF district expected gains can be amended over time to reflect new conditions. With this measure, the strongest results have been found in Downtown Connection (138%), Cityplace (125%), Farmers Market (115%), Deep Ellum (112%), and Design District (110%). Here State-Thomas and the SATD have slightly underperformed projections (respectively 85% and 89%), while Cedars and Grand Park saw the worst results (67% and 18%).

Yet with State-Thomas almost completely infilled and heralded by the City as a great TIF success but lagging its assessment projections, and Cityplace well-exceeding projections and shifting focus over time from a first phase low density retail plan, to higher density mixed-use, there would seem to be some daylight between expectation and reality. The very different projections for districts with similar core proximity similarly highlights diverse ambitions and concepts of "success".

Finally, the SATD does well in applied Walk Score (80), but is still roughly 10 points behind each of State-Thomas (91) and Cityplace (89). Although these two districts precede the arena, the more recent Downtown Connection (85) district splits the difference between the groupings, much as it occupies the space between the SATD and State-Thomas/Cityplace. Still, the SATD has a superior Walk Score to the remaining five districts, edging Deep Ellum and Farmers Market by five points, and the struggling Grand Park South by 30 points.

6.6.3. Contextualizing Performance

The SATD has issues on multiple fronts that may have made achieving "highest and best" use a challenge. First, arena parking requirements have limited what can be built on the

SATD lands and have created requirements for parking garages to free up further development lots. Second, the high-rise and ultra-modern nature of Victory Park was by the developer's own admission intended to be something alien to the Dallas marketplace. Third, Victory contained components that were seemingly well beyond what the market could bear.

As both State-Thomas and Cityplace brought new market standards and characters to their districts where nothing existed before, this in itself is not a problem. Rather it was building too much of a product that the market did not demand and overpricing it that led to over-improvement of some parcels. At the same time, the combination of arena imposed parking requirements and recession left contrast with many under-improved parcels, making the district as a whole less attractive relative to State-Thomas and Cityplace's West Village, where development more consistent in scale, form, and market demand was found, even if full market potential on any given parcel may have been more restricted by height and density limits than in the SATD.

The strong post-2012 activity in the SATD can be seen twofold: first through infill and public improvements normalizing the streetscape, and second, the reduced supply of development lots and upward price pressures in Uptown or Cityplace pushing the market toward next best alternatives. Based on proximity to Uptown (made more feasible by post-amended plan improvements) and development lots freed by parking garage construction, the SATD, alongside the area of Downtown Connection between the SATD and Uptown, became the next best option. This second best alternative was made stronger by the Klyde Warren Park freeway covering project that allowed for a direct pedestrian-friendly connection to the central business district and became a draw for development in itself.

Did the presence of the arena also contribute to this second best draw? Perhaps, but the concentration of SATD development almost two decades after the arena's opening, as well as the reality of where successful development was first found, indicates that the attraction was more proximity to the successful mixed-use urbanism of Uptown (and more recently Klyde Warren Park) than the inverse of proximity to the arena district being a spur for development in neighboring areas. While access to amenities as conceptualized by Walk Score has risen, it has taken almost 20 years for a coherent, connected, largely filled, and more vibrant neighborhood to materialize. These results are qualified by possibility that the story may have been different if the development mix and form had been more amenable to the marketplace and better connected for pedestrians from the outset.

The question also arises of whether similar or superior results could have been seen if TIF commitments were made to developers in the absence of a heavily subsidized arena? While land assembly premised on an arena district allowed for the possibility of more concentrated and frequented development more quickly, this potential was not realized. The absence of any legal requirement for the developer to move quickly, and the substantial wait for market demand to put shovels in the ground despite the arena being complete for five years, indicates that the arena was not some beacon that either created demand itself or drew projects from alternative locations.

Once perceived market demand materialized, then the SATD saw concentrated master-planned development, but there is nothing to indicate that arena traffic provided significant surplus value relative to other successful developments in Cityplace and Uptown. When also considering the arena subsidy, the development came at a much greater public cost. Given the pattern of development spurred by the Uptown corridor, and the almost 15 year delay after arena

construction for substantial build-out of the SATD, it is reasonable to believe that the SATD land could have seen similar development in a similar timeframe had a different party attempted a mixed-use and price master-planned development without the arena.

While it may be argued that absent the Victory project, the SATD would more resemble failed redevelopment areas such as Grand Park South, the SATD had the benefits of proximity to the most successful urbanist redevelopment in Dallas (Uptown and State-Thomas) and land assembly where large parcels creating a mass of activity could transform an area in several years, as was the case in the West Village with a fraction of Victory's subsidies. Yet at the same time, in 20 years the SATD has gone from a desolate brownfield to a mostly infilled, walkable mixed-use neighborhood, nearing $1 billion in new assessed value. While it may have been an inefficiently expensive exercise, there has been a transformation nonetheless.

6.6.4. Building a Better Arena District

For cities considering similar projects, this chapter introduces the question of whether the finished product provides value justifying the large public cost or could lesser developer subsidies see the construction of cheaper (in subsidy cost terms) and almost as transformational substitutes? This is a question that is later examined in further detail in the Detroit case study. In Dallas, while the finished product has eventually provided the city a functional entertainment and mixed-use district, there is little to demonstrate that the Victory Park development justified the substantial subsidies provided to build the American Airlines Center itself and infrastructure in the SATD. Though substantial assessment gains and construction have been seen, it has not been until the past five years where Victory Park has flirted with becoming a viable and complete district. Further the construction that has occurred has come at a high financial price relative to

other TIF subsidized developments in similarly core-proximate locations, with similar starting states. When the arena subsidy is added in, the gains seen in Victory Park are by far the most expensive in this chapter's suite of comparable TIF districts.

Given the pattern of successful development spurred by the Uptown corridor, and the almost 15 year delay after arena construction for substantial build-out of the SATD, it is reasonable to believe that the SATD land could have seen similar development, in a similar timeframe, had a different developer attempted a mixed-use and price point master-planned development without the arena. While it may be argued that absent the Victory project, the SATD would more resemble failed redevelopment areas such as Cedars or Grand Park, unlike these neighborhoods, the SATD had the benefits of proximity to the most successful urbanist redevelopment in Dallas (Uptown and State-Thomas) and land assembly where large parcels creating a mass of activity could transform an area in several years, as was the case in Cityplace's West Village with a fraction of Victory Park's subsidies.

Although the arena brought further experiential diversity to the Uptown corridor that the post Amended TIF Plan changes have been able to effectively leverage, the arena also brought challenges that were not present in comparable alternatives. Namely, and as also noted in Chapter 5, the original legal framework did not allow for full commitment to an urbanist vision by requiring thousands of dedicated arena parking spaces. Again, this requirement has not only hampered Victory's buildout in a corridor where development lots are in short supply, but required considerable TIF subsidies to be directed towards parking garages to solve a self-manufactured problem.

6.6.5. Limitations

There are a number of limitations to this study. Primarily, as noted, there is a baselining issue that has been mitigated through using the same legal jurisdictions, and the collection of variables intended to account for differing TIF district lifespans, geographical sizes, and subsidy spends. Likewise, Walk Score data is limited by its five year history, which only allows for relatively recent changes to be detected. Finally, the interview review is limited to secondary sources, although as discussed, this has some advantages over primary interviews.

6.7. KEY IMPLICATIONS

This chapter has evaluated TIF subsidized attempts at urbanist redevelopment with similar proximity to downtown Dallas, including one district anchored by a major sports arena. In this peer class, the most successful districts have emerged and clustered after a strong lead developer has attained a critical mass of mixed-use and price urbanism. While more successful redevelopment projects have been found outside of the SATD, significant gross financial gains have been seen around the arena, although these gains have been far more expensive in public subsidy terms than in any other TIF area discussed.

The winning developer vision in Dallas has been walkable mixed-use with mixed everything. The original and most successful inner city redevelopment partnership, Uptown and State-Thomas, saw a wide mix in terms of uses, prices, rentals and owner-occupied housing, street fronts, as well as assembled and small lot developments. This mixed everything has provided the experiential diversity sought by creative class workers, and once a critical mass was achieved, a rapid buildout of anything proximate to this new core. Conversely, a vision premised on an exclusively luxury product and market was unsuccessful in Victory Park, despite itself

providing a different experience within Uptown. While there are thriving luxury focused areas, the pairing with an arena traffic has not proven successful.

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CHAPTER 7. LOUISVILLE'S KFC YUM! CENTER, SALES TAX INCREMENT FINANCING, AND MEGAPROJECT UNDERPERFORMANCE[7]

7.1. PURPOSE

This chapter connects sport venue TIF to a larger discussion of infrastructure megaprojects through a case study that stands out as one of the worst examples of financial and revenue underperformance of a major North American sports facility in decades. In Louisville, Kentucky, the original revenue structure of the KFC Yum! Center has completely failed to cover the arena's debt. As a result, the Louisville Arena Authority (LAA), responsible for the facility's construction and operation, was left headed towards default before a substantial restructuring in 2017. Now state taxpayers are responsible for a far larger share of debt service than under the original deal. This financial failure has centered on two elements: sales TIF and the arena lease. The primary purpose of this chapter is to evaluate how these outcomes arose and shine light on the use of sales TIF in the sport venue context. Although this case concerns a venue that does not host a major league team, it is a major league quality arena in a market that has been directly considered for NBA expansion, and with a location and development intent much more akin to major league arenas than college arenas.

After an expanded literature review on megaproject underperformance and sales TIF, the chapter moves to the Louisville case. The core of the chapter then evaluates the Louisville

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experience through works representative of the primary explanatory lenses in the megaproject underperformance literature. This is followed by broader conclusions on how the Yum! Center debacle came to fruition, as well as key lessons for future projects. In particular, the Louisville case demonstrates how a local growth coalition can strategically misrepresent and push forward a deal subject to optimism bias in projections, and how the use of sales TIF can be further seen as both enabling the deception and enlarging the scope of damage. In addition to being another cautionary tale of local growth coalitions, the use of sales TIF highlights the volatility and transparency risks associated with reliance on this form of finance.

7.1.1. Explaining Megaproject Underperformance

While any project may be prone to underperformance, the scale, complexity and financial cost of megaprojects makes the risks associated with their failure far more potentially damaging to governments and firms. These magnified consequences have inspired a vibrant literature, some of which has been covered already in Chapter 2. For the purposes of this chapter, the relevant sub-literature can be seen as being well discussed under three theoretical headings by Sanderson (2012): the planning fallacy and rent-seeking, flawed governance structures, and project culture. Indeed, each of these categories has some merit in evaluating the Yum! Center.

The rent-seeking heading is dominated by Flyvbjerg and collaborators (2002; 2003; 2005; 2005; 2008; 2009; 2009; 2014). Again, these articles highlight the role of over optimism and intentional misrepresentation in forecasting costs and benefits by key decision makers and influencers to ensure the approval of poorly conceived projects (Sanderson, 2012). The primary alternative explanation is failed or inadequate governance structures (see De Meyer et al., 2002; Loch et al., 2006; Miller and Hobbs, 2009; Morris, 2009; Winch, 2009). Sanderson (2012, p.

437) summarizes these authors as focusing on "the presence of incoherent, inappropriate or underdeveloped governance arrangements that are incapable of handling the risks, uncertainties and turbulence inevitably associated with these endeavours." The main distinction between the rent-seeking and governance explanations is explained as the former being concerned with how the deal was made and the latter on the inadequacy of governance frameworks to deal with unforeseen problems (2012). Finally, Sanderson's (2012) third heading can be viewed as approaching underperformance as arising from a divergent range of cultures and project rationales frequently at odds with one another (Alderman et al., 2005; Atkinson et al., 2006; Clegg et al., 2002; Pitsis et al., 2003; van Marrewijk et al., 2008). Here underperformance is viewed more as a product of "managers trying to cope with an organizational environment that is complex, ambiguous and often highly conflictual" (Sanderson, 2012, p. 438).

7.1.2. Sales TIF

Building upon the discussion in Chapters 2 and 4, sales TIF is far less common than property TIF in jurisdictions with the capacity for major league venues. There are multiple explanations for this, some of which have already been touched upon. First, sales taxes most often flow to state governments. Where sales TIF is present, local governments have every incentive to capture locally created sales taxes as opposed to having taxes diffused at the state level (Mikesell, 2001). This is contrary to property TIF where increment is overwhelmingly diverted from local revenues. For sales TIF, the overlapping capture incentive is still present (Smith, 2009), but more directed towards state revenues than counties or school boards (Mikesell, 2001).

Likewise, sales TIF helps detach the local incentive for capturing state revenue from the traditional TIF objective of alleviating blight. Without proper controls in sales TIF legislation, such as functionally restrictive blight and but-for tests, local governments intent on sales tax capture will be incentivized to design zones to maximize increment (Mikesell, 2001; Smith, 2009). By definition, the most prospectively lucrative sales TIF districts are not likely to include blighted areas where redevelopment is a tough prospect, but will encompass places where retail development would already proceed (Mikesell, 2001). Yet sales TIF does have significant potential benefits (2001). For instance, sales TIF revenues can greatly exceed the revenue potential from property TIF, meaning that sales TIF can retire bonds more quickly and allow projects to be larger in scope (Smith, 2009).

These benefits are clouded by major risks. Foremost is volatility (Smith, 2009). Regardless of tenancy, property values will not disappear overnight. With sales taxes however, amounts generated in any geographical area are hostage to the continued presence of sales tax generating trade – the same building that may suffer a slight assessment decline will cause a more significant hole in sales tax revenues if retail tenants leave the TIF boundaries without replacement (Mikesell, 2001). Thus a sales TIF project with construction and retail tenant gains can be financially undermined by a major business departure. When a district is over inclusive, revenues legitimately spurred by the TIF funded project may be undermined by departures at the distant edges. This is compounded by sales TIF's exposure to recessions (Smith, 2009). Consumption driven revenues are among the first tax streams to experience negative recession impacts (Chapman and Gorina, 2012). If sales TIF projections assume linear growth based on historical results, they are susceptible to normal economic downturns.

7.2 METHODS

Using a retrospective, single case study method (in the framework of Thomas, 2011), this Chapter evaluates the Yum! Center project through three representative lenses corresponding to each of the previously listed theoretical headings in the megaproject literature. From this exploration of a key case, the study aims to add new perspective to this literature that can be instructive to the understanding of similar projects.

Data is synthesized using a snowball technique from sources under three broad categories: the LAA, government, and media. The first focuses on the original 2008 bond prospectus, the 2017 refinance prospectus, the loan agreement, audited LAA financial statements, LAA meeting minutes between 2006 and 2017, as well as ancillary contracts (such as lease and management agreements). Of particular note, the 2008 prospectus includes detailed cash flow projection consulting reports from Leib Advisors, as well as state TIF projections and methodology.

The initial LAA review described government documents of potential relevance which were then located through search engines and directly on government sites. These searches revealed further sources for the media review. The media review consists of press releases, interviews, editorials, and general reporting, with a focus on public statements from prominent actors. Media sources filled the place of traditional interviews, with the benefit of being able to identify the contemporaneous comments of key actors and local media.

7.3. THE ARENA DEAL

In a city with no major league team, the Cardinals are the closest alternative. Building the University's reputation through basketball success, Athletic Director Tom Jurich was able to

intertwine the University of Louisville Athletic Association (ULAA) with the local growth coalition. Surrounded by comparably sized cities with professional sports however (Indianapolis, Nashville, Cincinnati, and Columbus), many in this power elite – including "mayor for life" Democrat Jerry Abramson – aspired to more, and saw a model for downtown revitalization and image transformation in Nashville's arena project (Nocera et al., 2017).

After losing the Grizzlies to Memphis and a prospective Houston Rockets relocation largely due to the absence of an adequate arena, this aspirational local growth coalition set its sights on the Charlotte Hornets (Nocera et al., 2017; Poynter, 2000). By 2003 a non binding agreement was reached to relocate the Hornets to a new downtown arena shared with the Cardinals. Despite Louisville being a prime relocation candidate (Rascher and Rascher, 2004), Jurich and influential coach Rick Pitino wanted no part of sharing an arena or market, leading NBA Commissioner David Stern to question "if Rick Pitino doesn't want us there, why are we going there?" (Nocera et al., 2017).

Undeterred, the local growth coalition continued pursuing arena driven downtown development, this time financially premised on the arena hosting the Cardinals with the possibility of a future NBA tenant. However the ULAA, favoring a campus site, had no interest in Mayor Abramson's preferred location adjacent to the convention center (Crawford, 2017). In April 2005 detailed proposals emerged for a campus arena supported by the ULAA, Republican Governor Ernie Fletcher, and the Kentucky State Fair Board (KSFB). However Metro politicians pushed back and refused to consider funding the campus site. This stalemate ensued until the Courier-Journal's publisher proposed a riverfront site occupied by a power substation and near the proposed 62 story Museum Plaza project (Crawford, 2017).

Later that month Governor Fletcher appointed the Louisville Arena Task Force, mostly consisting of representatives from business, political, institutional, and University interests (including Athletic Director Jurich) (Louisville Business First, 2005). Effectively headed by sport business dealmaker and then state Commerce Secretary Jim Host, the Task Force eventually voted 16-1 for the riverfront site, citing greater economic development benefits than the alternate downtown locale (LEO Weekly, 2006a; 2006c). With lowest common denominator support from the Governor, Mayor, ULAA, the primary local newspaper, and major Louisville businesses, a formidable coalition was assembled for the riverfront site (LEO Weekly, 2006b).

The lone Task Force dissenter however, pizza mogul "Papa John" Schnatter, was concerned with transparency, that the number of events required for debt service was severely underestimated by Host (who, as put by a local newsmagazine in 2006, played "fast and loose with the facts") and that the arena cost was a "fictitious number" (Kahne, 2016; LEO Weekly, 2006a). Schnatter claimed the Task Force was a "waste of time" and "rigged for the [riverfront] site" (Courier-Journal, 2005; Kahne, 2016; Wolfson, 2013). Papa John was joined in skepticism by Humana co-founder David Jones, who alleged that that he passed on information about alternatives to Governor Fletcher, Mayor Abramson, and Host, "and nothing happened" (LEO Weekly, 2006a).

After the Governor's office confirmed months later that the Task Force cost estimates were $50 million too low, Schnatter and Jones funded a comparison study between the two downtown sites (LEO Weekly, 2006a). Concluding that a substantially similar arena would cost $114 million more at the riverfront, the study made Schnatter, Jones, and some skeptical politicians fodder for the Courier-Journal (LEO Weekly, 2006a). Coach Pitino piled on further, telling a local television station that "everybody should be united because Louisville is not

playing at the other site" (Platt, 2006). By June 2006, Schnatter and Jones publicly "surrendered" in a letter to council, outlining that "[w]hile we think the arena plan as currently proposed remains very risky, we feel we have fulfilled our promise to the community of providing the decision makers with all the relevant facts before they have to decide" (LEO Weekly, 2006d).

However, the decision was already made. At a March 2006 "Louisville Arena Unity Rally" Fletcher outlined that "[t]here's been a lot of speculation about where the arena should be located. But at the end of the day the arena will be built at the riverfront site. End of story" (Governor Ernie Fletcher's Communication Office, 2006). The arena was an electoral opportunity for Fletcher in populous Jefferson County, and a chance to flip the switch from a major hiring scandal that led to a 2006 indictment (LEO Weekly, 2006b; Urbana, 2006; Wolfson, 2013). With a $75 million state grant to cover land costs signed into law, and a TIF agreement accompanying the Metro yearly payment commitment, the arena could proceed under the auspices of the LAA. Chaired by Jim Host, now labelled "easily the most powerful non-elected official in the state," (LEO 2006d) the LAA was delegated responsibility for site acquisition and preparation, construction, arena operations, lease negotiation, and debt repayment.

7.3.1. Arena Finance and Revenues

The arena was primarily financed through a $349 million bond issue by the Kentucky Economic Development Finance Authority (KEDFA) (KEDFA, 2008), which loaned the proceeds to the LAA (KEDFA, 2008). The issue included almost $27 million in capital appreciation bonds, frequently used to defer larger payments until revenues can grow. The bonds

closed on September 3, 2008, with Host bragging about sealing the deal despite predicting that "I think the markets are going to come unglued after Labor Day" (Sonka, 2013).

The ULAA signed a lease through 2044 to become the primary tenant (KEDFA, 2008) and was granted priority from October to the end of basketball season, meaning that less attended Louisville teams could block major concert tours. Management was contracted to the KSFB, but the KSFB was replaced by AEG (the world's largest owner of sports teams and events, and second largest presenter of live music) in 2012 (LAA, 2012).

Arena debt was to be repaid by three roughly equal sources: yearly payments from Metro Louisville, TIF revenues, and arena operations (see KEDFA, 2008, Summary of Flow of Funds). Metro payments were intended to cover shortfalls and scheduled to run from 2010 through 2039 (KEDFA, 2008). Minimum payments ranged from $6.5–6.8 million, and the maximums from $9.5–10.3 million (KEDFA, 2008). The lease divided arena revenues into Category A and B, the former "Contractually Obligated Income" and the latter "Other Operating Income" (KEDFA, 2008). Category A included naming rights, corporate sponsorship, and premium seating (club seats and luxury boxes), while other revenues generally fell into Category B. "A" revenues were committed directly to debt service and "B" revenues were first applied to operational expenses with the remainder diverted to debt coverage (with priority over additional payments from Metro Louisville).

7.3.2. Kentucky Fried TIF

Kentucky was a latecomer to TIF, with the 2000 pilot program introduced to fund megaprojects in Louisville. The Yum! Center was one of two pilot projects (Think Kentucky, 2016). Under the pilot, up to 80% (the Yum! Center used the full 80%) of all incremental

property, sales, and income taxes for 20 years in a designated TIF area was available under contracts between the state ("acting by and through the Governor") and a development authority (KRS, 2006, §65.490-95). Of particular note is the governor's exclusive power to enter into TIF contracts with no further legislative authorization required (2006, §65.495).

As the pilot was primarily intended for projects in the Democrat stronghold of Louisville – formally limiting TIF to "first class" cities with populations over 100,000 – one potential explanation for this design was as a hedge against a Republican controlled state senate from killing future projects under Democrat governors. At the time of the TIF pilot Democrats had controlled the governor's mansion since 1972 and had held almost 65% or more of the state house since the 1920s, but Republicans possessed a narrow senate majority. Leaving control with the governor and only needing a few Republican votes for initial passage could have been viewed by Democrats as a safer way to ensure the program's continued availability to divert state sales taxes to Democrat leaning areas.

The original TIF district extended six square miles south from the arena, encompassing almost all of downtown Louisville (Office of the State Budget Director, 2008). Baselines and projections were created for the three taxation categories: property, sales, and employment withholding (2008). A 1.9% inflation multiplier was applied for property and sales taxes from the 2005 baseline year (2008), ostensibly so increment was closer to reflecting new growth instead of inflation. Two forms of modeling were applied with sales taxes. First, the zone was divided into three districts based on proximity to the arena, assuming that "sporting arenas have a gravitational economic impact inversely proportional to the distance from the Arena" (2008, p. 7). Establishments were then categorized by use – those associated with event demand were assumed to experience larger incremental gains. A further assumption was made that economic

development close to the arena would see sales tax growth rates for arena complimentary businesses of 7%, above the 6.3% compound annual statewide 20 year growth rate (Leib, 2008). Non event related businesses were estimated to see gains below this statewide average. The percentage reductions for the second 10 year period were lessened "to accommodate the empirical observation that the excitement of a new sporting arena tends to dissipate after a number of years as the facility takes on age" (Leib, 2008, p. 158). However, the state's hypothetical sales TIF calculation showed that a growth rate of 5.66% was only 3.69% once the 1.9% inflation multiplier was applied (Office of the State Budget Director, 2008).

Still, $531 million was expected to be collected over the TIF lifespan, with $486 million from sales taxes and $44 million from property assessments (Office of the State Budget Director, 2008). These steady projections were assumed despite reports upon which the numbers were grounded showing considerable variance (Leib, 2007). This variance was made more troublesome due to the selection of 1990 as the baseline year, meaning that the 27% increase between 1990 and 1991 was included in the compound annual change rate. As highlighted by the 2017 state audit, this increase can be mostly explained by the 1% sales tax rate increase in 1990 as opposed to economic growth between 1990 and 1991 (Weber, 2017).

Table 30.
Jefferson County and Kentucky Sales Tax Growth Rates 1990-2006

Year	County (% change)	State (% change)
1990	Base year	Base year
1991	43.4	27.0
1992	-10.3	-4.5
1993	15.6	16.0
1994	9.2	12.5
1995	-0.2	1.1
1996	7.0	8.9
1997	11.7	4.6
1998	-10.7	6.1
1999	12.4	5.3
2000	4.1	4.1
2001	3.5	3.5
2002	2.3	2.3
2003	19.4	1.5
2004	3.5	3.5
2005	6.0	6.0
2006	6.0	6.0
Avg. change	12.4	10.3
Compound	7.1	6.3

Source: Leib, 2007, 158

Table 31.
Arena Zone TIF projections and yield 2010-2016

Year	Projection ($m)	Yield ($m)	Percentage
2010	5.184	0.678	14.13
2011	6.674	2.168	32.48
2012	8.273	3.542	42.81
2013	9.987	5.177	51.84
2014	11.823	7.410	62.70
2015	13.790	8.109	58.80
2016	15.896	10.500	66.05

Sources: Boyd, 2014; Finley, 2017; Leib, 2008, 26; LAA, 2016, 4.

Although the basis for the projections at the time may have been defensible (or designed to be so), performance has reflected historical variance and there has been a massive shortfall in TIF revenues since the first year of increment, 2010. At the heart of this failure, consistent with the literature, has been the conceptualization of sales TIF projections. With property taxes, regardless of occupancy land and improvements will maintain some assessed value that will not immediately leave the TIF zone. However with sales taxes, a business can depart for whatever

reason. While in a healthy market there is an expectation of replacement, Louisville's downtown has been plagued by storefront vacancies, including near the arena (Boyd, 2014). Even if there is growth in other places, the removal of sales tax revenue does not necessarily alter the baseline value down – rather it creates a deficit that incremental increases will have difficulty making up.

The risk of business departure is heightened by the possibility of recession or low growth years. In a recession, revenues would lose years of assumed positive compounding that later years would struggle to make up. Further, a severe recession in the zone's early years (which occurred in 2008-2009) could reduce revenues well below the baseline. This combination of business departure and major recession is why Louisville TIF revenues are wildly off from projections. Indeed public officials have cited departing businesses miles away from the arena as costing "several million dollars in cash flow" (Robinson, 2013). While the projections contemplated new businesses on vacant properties, the methods did not anticipate retail loss without replacement (Office of the State Budget Director, 2008).

In pursuit of a solution the TIF baseline and zone boundaries were adjusted. After 2009 saw an 8% reduction in sales tax revenues, the state lowered the baseline and outlined that the 1.9% inflation adjustment would only apply in years where a minimum ratio of 1.3 times debt coverage was achieved – a ratio not met in any year to date (Reuters, 2012). The revenue maximization analysis then reduced the TIF zone from six to two square miles to exclude areas with less expected growth. Since this 2011 formula change and 2013 zone redraw, increment results came closer to projections, but significant gaps persisted (KEDFA, 2017).

7.3.3. Lease Outcomes

Major TIF underperformance has been accompanied by event revenues failing to meet projections, while Louisville saw its revenues surge beyond any other college basketball program (Sonka, 2016). This contrast has largely arisen from a lease that sees the ULAA only paying 10% of gross receipts and 12% of premium seating revenues in rent, while the LAA is responsible for event expenses (KEDFA, 2008). Yet these revenues have not been the principal issue – although consistently failing to meet projections, "A" underperformance has still seen revenues in the 80–95% range of expectations. The five year average "A" revenue shortfall of 13% has translated into $4.3 million and 28% of the combined gross event underperformance.

With Category B (other operational income) however, the gap between projections and reality has been more severe. This difference can be largely accounted for by the net nature of Category B – any "B" revenues are first applied to operating expenses, so this category is vulnerable to both underperformance and cost overruns. Once the arena opened, the KSFB experienced operating expenses well beyond projections combined with softer event revenues. After the KSFB was replaced by AEG in 2012 (LAA, 2012), a 2013 uptick quickly reverted to underperformance. In fact, after 2013 net "B" revenues have largely mirrored the guaranteed profits AEG has committed to the LAA under its management agreement (LAA, 2012).

Table 32.
Category A Revenues ($m) v. projections

Year	A revenue	A projection	A% of proj.	Shortfall
2011	5.607	5.912	94.84	0.305
2012	5.659	7.008	80.75	1.349
2013	6.417	7.075	90.70	0.658
2014	5.833	7.144	81.64	1.311
2015	6.641	7.357	90.26	0.716
Total	30.157	34.496	87.64	4.339

Source: LAA Financial Statements, 2011-2015

Table 33. Category B Revenues ($m) v. projections				
Year	B net	B projection	B% of proj.	Shortfall
2011	0.520	3.703	14.04	3.183
2012	1.611	3.763	42.81	2.152
2013	2.438	3.328	73.26	0.890
2014	1.553	4.054	38.30	2.501
2015	1.492	3.900	38.26	2.408
Total	7.614	18.748	41.33	11.134
Source: LAA Financial Statements, 2011-2015				

Category B revenues have seen an almost 60% shortfall. But for the minimum guaranteed net operating profit in AEG's contract, the outcome may well have been worse (LAA statements report the final number *after* AEG's minimum payment is applied). For the ULAA however, the combination of rent payments amounting to only 10% of non premium gross and 88% retention of premium seating revenues (LAA, 2008), allowed its basketball team to become the NCAA's most profitable by a considerable margin (Sonka, 2016). Effectively the ULAA, a non profit public entity, has filled the role of a rent-seeking professional club extracting the upside of a new venue while being shielded from risk.

However, a lease with a more equitable division of revenues or residual protection to allow ULAA windfalls to be shared with the LAA in the event of distress, was not a likely outcome. With only one possibility for a primary tenant to make the arena feasible "[Athletic Director] Jurich took advantage of a city that was willing to do anything to get a downtown arena" (Nocera et al., 2017) and exercised bargaining power typically associated with monopoly-scarce professional teams.

7.3.4. A Flawed Deal

Combined with continued far weaker than expected event revenues despite a change in management, the LAA chairman publicly outlined in 2016 that debt obligations may not be

covered as soon as 2020 (Green, 2016). Although Metro Louisville was responsible for roughly $3 million per year beyond its minimum payment to cover shortfalls, after this the $15 million reserve fund was all that remained between a default (Leib, 2008). Tapping the reserves was already once avoided through $5 million in debt forgiveness by the KSFB that was due under the original management contract's termination clause (Boyd, 2013).

On the other hand, Louisville men's basketball saw its net revenues greatly exceed those of other top NCAA basketball programs since moving downtown (Sonka, 2016). This prompted strong bipartisan criticism, with a Republican state senator commenting: "[y]ou open an arena, and the athletic association sees an annual increase of $15 million in revenue. The taxpayers are being fleeced, period" (Weber, 2017). A Democrat colleague agreed: "[i]t's scandalous how much they are taking away" (Weber, 2017). Responding to public pressure, the ULAA floated building its own campus arena (Mason, 2016), but this was implausible with the basketball program committed to the Yum! Center through 2044 and being hard pressed to create a better financial reality.

In March 2017, a legislative solution emerged with a TIF zone extension through 2054 (Sonka, 2017). Eventually Metro Louisville committed to paying $10.8 million annually regardless of revenues, and the ULAA agreed to increase its yearly payments by $2.42 million (KEDFA, 2017), setting the stage for refinancing. Despite a major scandal and FBI investigation into the Cardinals leading to the ouster of Athletic Director Jurich and Coach Petino, which was viewed as a threat to event revenues, the new bonds received significantly improved ratings (Bailey, 2017).

7.4. EXPLAINING THE HOUSE OF CARDS

The Yum! Center is not an isolated instance of an underperforming megaproject. This section evaluates the Louisville case through three explanatory lenses, each a particularly appropriate representation of the theoretical headings in the megaproject literature: rent-seeking, failed governance structures, and project culture.

7.4.1. Rent-seeking and Optimism Bias

Representative of works from Flyvbjerg and collaborators explaining underperformance from a rent-seeking perspective, this section focuses on "Delusion and Deception" (Flyvbjerg et al., 2009). These models understand forecasting errors in megaprojects as a combination of over optimism and strategic misrepresentation (2009).

Delusion: The Planning Fallacy and Anchoring

Flyvbjerg et al. (2009) argue that decision makers too often succumb to the planning fallacy, meaning that estimates are biased towards optimism over realism. Anchoring – where the first estimate becomes a reference point from which insufficient adjustments are made – compounds this issue (2009). We see examples of both in Louisville. The underperformance of TIF has only been exceeded by the failure of event revenues to produce any revenue for debt service beyond that guaranteed by the new facility management contract (LAA Financial Statements, 2011-2015). Likewise, the linear projection of sales TIF based on historical averages did not properly account for the possibility of recession or business movement, despite the consultant's report explicitly noting significant variance (Leib, 2007).

When it became clear that both TIF and event revenues were nowhere near projections, adjustments did not adequately correct the situation. For instance, upon the management switch to AEG, Metro Council President and LAA Board member Jim King commented: "I don't think there is any question that there will be more events and more concerts and more dates here because we have set up a model where the operator of the arena has incentive to accomplish that. They make more money if we make more money and that's the way it should have been set up to begin with." Despite this optimism and AEG's record of turning losing buildings (such as London's O2 Arena) into winners, event revenues have not sufficiently changed (LAA Financial Statements, 2011-2015).

While the 2013 TIF readjustment reduced the deviation of forecast from reality, there remained a roughly 40% gap (from the 45% to 85% previously experienced). Yet after the supposed fix, King suspected bond rating agencies would "like what they see with the new TIF numbers" as revenues were "going up on a pretty strong basis" and that growth was more than enough to cover escalating payments (Kitchen, 2014). King also expected to reduce the Louisville yearly payment below the maximum, and that a new financial forecast "show[ed] no problems with cash flow out into the future" (2014). The same year Host expressed that there was no financial danger: "the operational side is fixed and the TIF district is fixed." A local reporter summarized: "[then LAA Chairman] Hayes and King have admitted that the original arena financing plan was not well thought out and did not provide incentive to maximize revenues. Yet they are both confident things will get better by making minor tweaks to the management of the arena while hoping for the best with regards to TIF revenues" (Stahmer, 2012). Within three years the arena was headed towards default.

Deception: Strategic Misrepresentation and Agency Problems

Strategic misrepresentation arises through divergent incentive structures leading to risk minimization and upside inflation (Flyvbjerg et al., 2009). In megaprojects, a second tier agency problem complicates matters with local governments conflicted by the duty to propose value for money and incentives to capture scarce state resources that may go elsewhere (2009). This issue can be compounded by asymmetric information, differences in risk perception, and accountability diffusion (2009).

In Louisville, sales TIF was a volatile means of debt coverage, but without the arena the taxes may have been diverted from the region. State TIF allowed the project to be sold locally as requiring no new taxes and to the state (in the words of Mayor Abramson) as being "generated by the folks who use the facility and the surrounding property owners where jobs are created and the appreciation for taxes will occur" (McArthur, 2009). Louisville leaders had the incentive to believe that the project could be both efficient and beneficial with safeguards sufficient to mitigate major risks. Secondary parties (consultants, professionals, and bureaucrats) benefitting from the project process (Flyvbjerg et al., 2009) were able to help frame deal structures in sufficiently safe terms for decision makers with the help of TIF's masking functions, despite red flags.

The powerful elite coalition, covered by the Task Force recommendation, was able to prevail over dissent. The then Lt. Governor and formal Task Force chair framed the project as having "…scientifically chosen a site that will continue to pay the city and the state cultural and economic dividends for decades. The time has come to stop debating and start building the arena" (Governor Ernie Fletcher's Communication Office, 2006). He was supported by Mayor

Abramson commenting that "[i]t's the best investment because it will serve as a catalyst that will spark private investment…It isn't the cheapest choice, but it is the best choice" (2006).

7.4.2. Governance and Risk Management

Alternatively, the failings of the Yum! Center can be explained through the inability of a governance structure to manage risk profiles. Providing an apt lens for evaluating Louisville, De Meyer et al. (2002) categorize project uncertainty in four ways: variation, foreseen, unforeseen, and chaos. The TIF and arena revenue problems in Louisville could feasibly be placed under the headings of "foreseen" or "unforeseen". Foreseen uncertainties are viewed as identifiable, but possibly requiring "full-blown risk management with several alternative plans" (2002, pp. 61-62). Unforeseen risks are those that cannot be "identified during project planning," although may arise through the interaction of more foreseeable events (2002, p. 62). De Meyer et al. (2002) contend that both sets of risks can be dealt with through decision trees.

With event revenues, the primary problem came from the arena being more costly to operate than expected. This fits better as a foreseeable risk. With TIF revenues, the applicability of foreseen or unforeseen largely turns on whether the Great Recession was a foreseeable event. While the extent of this recession was unforeseen, recessions are a normal part of the economic cycle. If when the bonds were being closed on, indicators such as the housing bubble bursting and that the LAA was having trouble selling the bonds due to credit market turmoil should have been cause for decision makers to take a step back on a project where TIF revenues were reliant on linear consumer spending growth, a degree of foreseen risk analysis may be appropriate.

The prescription for foreseen uncertainty is anticipation of alternative paths and contingency planning, then triggering contingencies when risks materialize and motivating

stakeholders to deal with changes (De Meyer et al., 2002). In Louisville, the primary contingency was the supplemental Metro payment. Beyond this and a $15 million reserve fund, there was no contingency for recession impacting TIF or event performance, and little appetite from stakeholders to contribute more when large shortfalls arose. The governance structure did not specify what happened if revenue holes emerged larger than the Metro supplemental payment and reserve fund capacity, and the LAA lacked the ability to motivate the three key stakeholders to cover the shortfalls until the bonds faced obvious default. While there was default insurance, the state (the party of the three with the most to lose in a default) blinked and used its powers over a public university to force the ULAA to also contribute more.

However the scope of impact beyond a "normal" range recession and the Great Recession can be viewed as an unforeseen risk. De Meyer et al. (2002, p. 63) propose that managers can still add new contingencies and mobilize new partners, while using "flexible relationships" with existing stakeholders to "develop mutually beneficial dependencies." To this end, the LAA can be seen as implementing new contingencies through TIF zone and baseline tinkering. Beyond these relatively minor concessions from the state, the LAA did not have the capacity to bring about sufficient change as there was no other contractual contingency. Nor were there relationships with the ULAA that could overcome its entrenched refusal to contribute more of its record revenues. Instead of softening up resistance, these efforts saw the ULAA threaten moving to a campus arena.

Many of the problems faced in Louisville could have been mitigated if the original contracts spelled out who would pay what in the event of a structural shortfall larger than the maximum Metro payment. While the extent of the TIF hole created by the Great Recession can be viewed as an unforeseen risk, much of the deficit (what a "normal" recession and scope of

arena underperformance could have expected to impact) can be attributed to foreseeable risks. The absence of better contingencies is a clear governance failure, if not a direct explanation of how such a bad deal emerged in the first place.

7.4.3. Project Culture

A third lens comes from the project culture literature. As an explicit rebuke to Flyvbjerg's concepts, this subsection evaluates alternatives offered by van Marrewijk et al. (2008). Specifically, these authors contend that megaproject performance can be better explained by project design and culture "determining how managers and partners cooperate to achieve project objectives to a greater or lesser extent" (2008, 591). Van Marrewijk et al. collect data from interviews, observations, and transcript review for cases with "high uncertainty, ambiguity and complexity," in order to evaluate five "issues of social construction": "(1) basic project orientations, (2) social interaction, (3) dominant paradoxes between the players, (4) how these configurations were structured and disciplined via power-related connections, and lastly, (5) the way knowledge was distributed between partners" (2008, p. 593).

In Louisville, the evolutionary deal-making process framed the basic project orientation. The initial social interaction was dominated by a largely cooperative local growth coalition, where early resistance from the ULAA was overcome and the construction phase proceeded without notable conflict or overrun. This first phase was seemingly smoothly overseen by the LAA, itself a melding of state and local interests directed by a dominant player in the initial social interaction, Jim Host. Despite delivering during construction, once event and TIF revenues massively underperformed, the dominant paradox became how to close revenue gaps that the original contractual structure proved inadequate in solving.

Power relations then became ruled by a combination of hoping revenues would improve, while stakeholder parties (and new politicians) did not want to be held individually responsible for shortfalls. This moved the LAA from being a cooperative melding of growth coalition actors to being powerless to force its constituent parts to sufficiently rectify the revenue holes. While the LAA was able to work with stakeholders to implement stopgap measures such as the TIF zone adjustment and management change, it was ineffective in bringing substantial financial amendments that would directly burden Kentucky, Metro, or the ULAA. Instead, it took the near term prospect of bond default for the state to step in and force concessions that appear to have finally solved revenue gaps.

With knowledge distribution, van Marrewijk et al. argue that the presence or absence of such distribution and organizational harmony between partners is a key attribute of success or failure. This heading shares some common ground with the Flyvbjerg concepts of agency problems and information asymmetry. The difference arises with intent: Flyvbjerg believes that these problems stem from strategic misrepresentation and van Marrewijk et al. blame less sinister roots. Seen from the latter perspective, while key actors were savvy enough to take lessons from past construction failures and place delivery underperformance at the risk of contractors, this being a pilot TIF project, there was little local experience to draw upon that could have highlighted issues with heavy sales TIF reliance.

More generally, the van Marrewijk et al. lens is useful in adding color to why over optimism could take root as well as the inability of the governance structure to force sufficient correction. In the smooth early phases, the growth coalition got along well as there was no major financial threat to any party's interests. When things went wrong, the LAA managers were unable to correct the financial structure because the governance structure did not have built in

levers to do so, and the constituent parts did not want to bear the cost. Instead, the LAA was left rearranging deck chairs by tinkering with TIF geography or firing arena managers. Perhaps a more compromising, realistic, and resilient project culture could have allowed revenue problems to be more expediently solved without formal governance provisions detailing contingencies, but new money would have come from someone.

7.5. WHAT BEST EXPLAINS THE YUM! CENTER?

When returning to the question of how such a flawed structure arose, project culture is a more viable explanation to the extent that the growth coalition was driven by the need to build the arena. While van Marrewijk et al. (2008, p. 592) agree that "getting megaprojects off the ground and keeping them going…presents ample opportunity for…the organisation of hypocrisy," they argue that this stops short of the systematic misrepresentation and underestimation of risks proposed by Flyvbjerg. Instead van Marrewijk et al. emphasize that "practical rationalities and practices of the players whose projects are at stake, need to be considered and analysed in the context of their project designs and project cultures" (2008, p. 599). This said, although case specifics matter, megaprojects commonly share over optimistic projections as well as unaccounted risks.

There are also instances where strategic misrepresentation manifests. In Louisville, a state audit underlines the extent to which public officials now believe deception to have been present. Examining "unrealistic" TIF projections, the state auditor explained that:

> [w]hen they were beginning to set those TIF boundaries, they looked at 10 years of property tax and looked at 16 years of sales tax, and of course sales tax makes up the

> primary amount of the TIF, and during that year 1990, 1991, that included a 1% increase, which was adopted, so that kind of skewed the numbers (Weber, 2017).

Yet this was not a sole instance of questionable numbers – years earlier, Metro Council President and LAA board member Jim King admitted that the arena maintenance fund:

> is just an arbitrary number that was picked and no one ever did the math and said, 'This is what we're going to need to do and this is what we're going to need to repair.' It was just a nice round number that was picked (Stahmer, 2012).

For the state legislature, Louisville's theoretical shortfall responsibility reduced the incentive to ensure that the projections were accurate. More deviously, Governor Fletcher wanted an arena to help with a tough election fight (Fletcher ultimately lost by 20 points in 2007) (Wolfson, 2013) and TIF was a revenue source controlled completely by Fletcher. Without the need for further legislative approval, the Governor controlled each of whether the state entered into a TIF contract, the creation of the other contracting party (the LAA), as well as who would run the other contracting party (Jim Host). The $75 million state grant for site preparation, which required new legislative approval, was likely far more politically palatable than a grant for the entire state TIF contribution plus potential further liability for underperformance.

Agency issues persisted in the operational phase. The state audit outlined that "operational analysis is based on the [LAA]'s reliance on information from parties that have a vested interest in maintaining their contracts" (Finley, 2017). Elaborating before the Capital Projects and Bond Oversight Committee, the state auditor highlighted the development of asymmetric information and accountability concerns arising from the LAA's lack of internal controls:

> Other than its board of directors for whom this is not a full-time job, all functions of the arena, including management, are outsourced. This had led to a web of contracts, and some revenue generated by the arena is not reported to the authority (Weber, 2017).
>
> After hearing from the state auditor, a state senator outlined:
>
> [i]t's [the Capital Projects and Bond Oversight Committee's] belief when this project was initiated, the intent was you make the numbers look appropriate to pass what we need to pass to put this arena here. There was manipulation of data, in historical tax data, to get us to the point and I think it was simply intended to get the arena built and punt on the payments of it" (Weber, 2017).

Another committee member added:

> [t]he original projections were made just to get the deal done - taxpayer be damned. They understood the bonds would default but they didn't care. They knew that once the YUM! Center was built, taxpayers would be forced by legislators and Metro Council to bail it out or there'd [b]e a massive scar in the middle of the state's marquee city (Moffett, 2017).

While van Marrewijk et al. (2008, p. 599) may explain this as "post hoc moral outrage," the sales tax manipulation is a compelling indicator of strategic misrepresentation. To the extent project culture mattered, it may have been that the local growth coalition was too eager to get the deal sealed considering the history of lost opportunities. This dominant culture allowed a certain amount of deception to take advantage of actors primed to succumb to over optimism through their willingness to close a deal and lack of experience with TIF. The result was a deal with an absence of governance controls that could address the lurking flaws before a near default

prompted state action. Thus, the culture perspective provides context to key governance failures in a project that more broadly fits rent-seeking models.

7.6. IMPLICATIONS

This chapter has documented the performance failings of the Yum! Center in Louisville, which have been most pronounced in sales TIF and lease revenues, with the objectives of explaining how such a deal arose in the first place and making observations about the central use of sales TIF in a venue finance structure. Whereas the literature concerning public subsidization of sports facilities often focuses on economic impact underperformance or cost overruns, Louisville provides one of the most extreme instances in recent decades where revenue bond repayment streams for a sports facility have failed and led to a public bailout. This failure links the arena to a wider literature on megaproject underperformance, characterized by three primary threads: rent-seeking, inadequate governance structures, and project culture. Although in many respects the arena's problems can be explained through rent-seeking and governance failure, understanding the local growth coalition provides important cultural context. More specifically, the Yum! Center debacle demonstrates the presence of optimism bias in deal design and revenue projections, incidences of strategic misrepresentation and agency issues, as well as the failure to identify and manage risks through formal governance or informal relationship structures. The use of sales TIF can be further seen as enabling the deception.

The process leading to severe revenue underperformance has made the Yum! Center the source of two primary lessons for future stadia and megaprojects. First, local growth coalitions can strategically misrepresent risks and succumb to over optimistic projections, making projects vulnerable to failure from the outset. In order to craft politically saleable projects and bring on

necessary partners, rent-seeking behavior can create governance structures unable to survive foreseen and unforeseen turbulence. The transparency issues associated with TIF may make these issues more pronounced. Second, the Louisville project is a reminder of sales TIF volatility relative to property based TIF due to sales TIF's vulnerability to business movement and recession. Although sales TIF may tempt governments with high revenues, Louisville shows that reliance on sales TIF should serve as a major warning sign in projects where the financial stakes of failure are high.

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CHAPTER 8. A HOT-N-READY DISAPPOINTMENT: LITTLE CAESARS ARENA AND THE DISTRICT DETROIT

8.1. PURPOSE

Detroit's Little Caesars Arena is the single largest use of TIF in a sports venue. A total of $324 million TIF funding has been provided to the arena, with a further $74 million available for hitting ancillary development targets. The arena is perhaps most interesting as a larger part of the more ambitious neighborhood redevelopment plan by the owners of the Red Wings, Tigers, and Little Caesars, the Ilitch family, through their Olympia Development Company. The 50 block District Detroit intends to infill vacant lots into a coherent mixed-use district anchored by the arena, the football and baseball stadiums, as well as the Ilitch owned Fox Theatre, while more broadly connecting the downtown and midtown neighborhoods. However the deal and its outcomes have been criticized on a number of fronts, many of which overlap with criticisms noted in the TIF literature.

Building upon work in the first Dallas chapter concerning but-for and transparency, this chapter evaluates these two criticisms from slightly different perspectives in the Detroit context, as well as adding discussion under two other important headings: overlaying capture and community benefits. After two initial parts respectively detailing the deal structure and origins, as well as the District Detroit development plan, this chapter specifically aims to understand and assess the Detroit arena project through these four headings of inquiry.

There are four primary findings in this chapter. The first is that enforceable contractual obligations are the bottom line of what public partners can rely upon private partners actually delivering. Second, state level politicians need to be more than a rubber stamp for amendments enabling venue TIF projects, otherwise quick and flawed deals pushed by local growth coalitions can have long term deleterious consequences. Third, venue TIF projects that are not premised on new increment and instead draw existing increment away from schools should be heavily scrutinized. Finally, public partners should also consider the opportunity cost of venue TIF subsidies in terms of what results could be otherwise had for the same subsidy dollars and whether activity that would occur in the absence of subsidies is being crowded out.

8.2. METHODS

Using a snowball technique, documents were collected from government, media, industry, community, legal, and academic sources. Documents were then reviewed for their prospective relevance. Once preliminary application was assessed, documents were analyzed and synthesized across source headings as appropriate under one of the primary body subjects in this chapter. As with the Louisville chapter, a review of secondary media sources was conducted in lieu of traditional interviews in order to facilitate access to key actors as well as their public statements over time.

8.3. HOW TO SUBSIDIZE AN ARENA IN A BANKRUPT CITY

With the riverfront Joe Louis Arena long obsolete, the owners of the Red Wings and Little Caesars Pizza, the Ilitch family, had been assembling land throughout the 1990s and 2000s for a new arena and entertainment district between downtown and midtown Detroit. In 2012, the

Ilitches hired stadium architects to design the arena (Muret, 2012), and Olympia Entertainment announced its intention the same December for an arena focused entertainment district. The new arena district would be geographically between other significant Ilitch interests: the Detroit and Wayne County owned Comerica Park (home to the Ilitch-owned Tigers), the Fox Theater on Woodward Avenue, and the MotorCity Casino to the northwest. While Comerica Park had received significant direct public subsidies from Wayne County (in the form of land, and hotel and rental car sales taxes) and the State of Michigan (land and infrastructure), there appeared to be little appetite from senior governments to provide major funding in the wake of the Great Recession. Yet the recession also moved the City of Detroit to the brink of bankruptcy and eventually past. For Mike Ilitch, apparently unwilling to proceed without significant public subsidy, the question became how to gain hundreds of millions in arena subsidies in a bankrupt city and distressed state?

The answer lay in TIF. While the City of Detroit, under emergency state management from March 2013 to December 2014, had no capacity or credit worthiness to provide direct funding and the county and state lacked political will to do so, the Detroit Downtown Development Authority (DDDA) had the potential to bridge the gap through bonds tied to specific revenue streams. In Michigan, the Downtown Development Authority Act of 2018 (replacing the original 1975 Act) enables cities to create a Downtown Development Authority (DDA) to facilitate and fund improvements in defined downtown business districts. The primary means of financing is TIF.

The DDDA has been in existence since 1976 and is mostly encompassed by the downtown freeway loop. Although much of early 2010s Detroit was abandoned and of little assessed value, the DDA covered the city's most valuable real estate and dependable taxpayers,

even if its assessments had declined from a 2008 peak of $778 million to $576 million in 2012 (Michigan Strategic Fund, 2014). Yet since the tax increment baseline was set far lower, the vast majority of property revenues in the original DDA area are allocated to the DDDA. Further, even a recovery to pre-recession levels would create hundreds of millions in supposedly new increment. Indeed by 2018, pre-recession levels were exceeded, with assessments reaching $816 million (DDDA, 2018). While the DDDA is entitled to the bulk of property taxes in the downtown area (specifically the city, county, community college, and regional parks), three education taxes (respectively from the state, county, and city), the most potentially lucrative form of overlaying capture, were excluded by the DDA Act (see Michigan Strategic Fund, 2014).

Figure 8. DDDA Historical Incremental Value – Development Area (DDDA, 2018, 104).

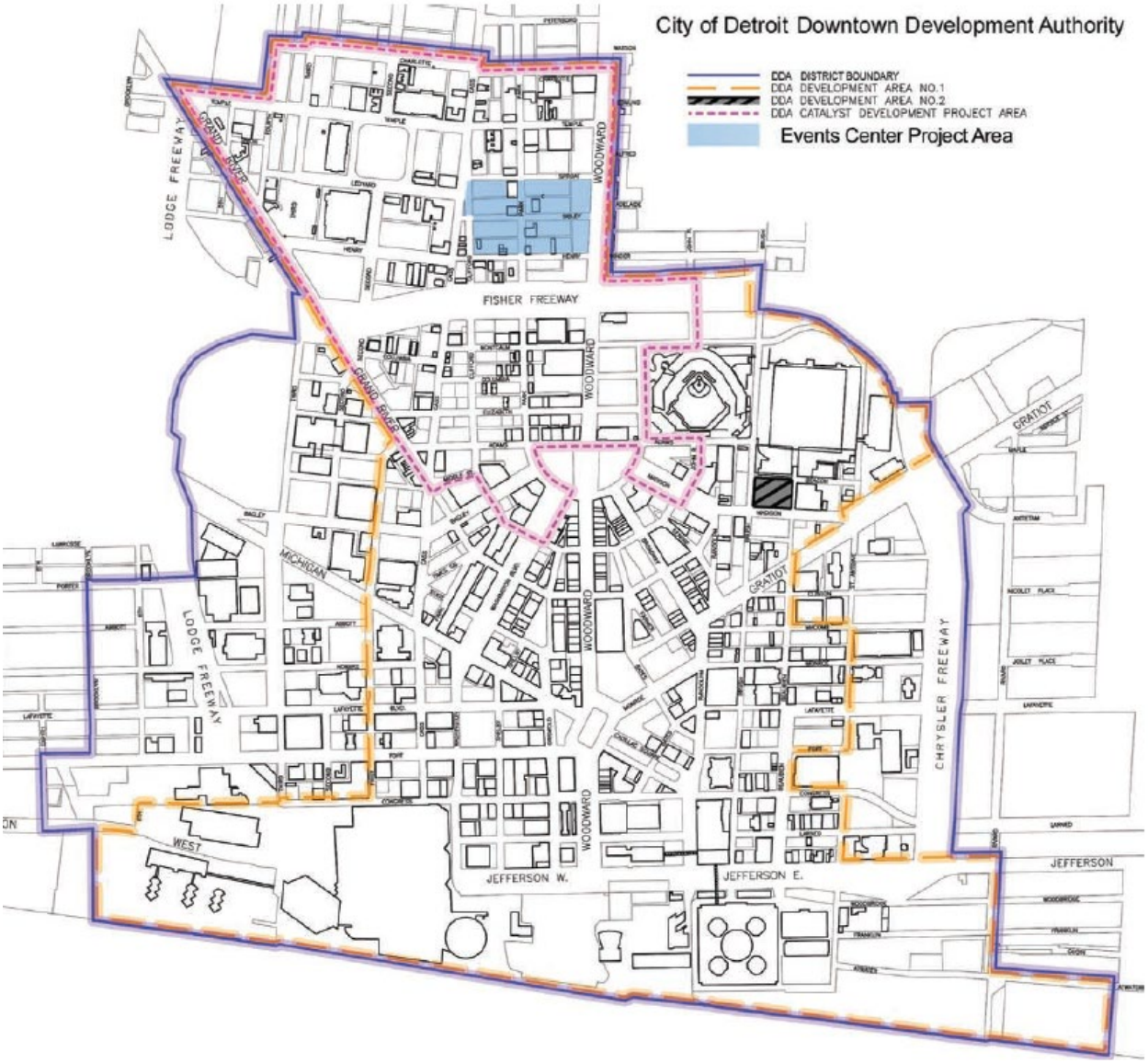
Historical Incremental Value – Development Area (Real & Personal Property)

Tax Year	Taxable Value	Percent Change Over Prior Year	Base Value	Incremental Value	Percent Change Over Prior Year
1977	$94,952,300	N/A	$94,952,300	$0	N/A
1978	$124,620,490	31.2%	$94,952,300	$29,668,190	N/A
1979	$157,224,034	26.2%	$104,514,739	$52,709,295	77.7%
1980	$167,112,380	6.3%	$104,514,739	$62,597,641	18.8%
1981	$169,926,630	1.7%	$104,514,739	$65,411,891	4.5%
1982	$157,382,390	-7.4%	$104,514,739	$52,867,651	-19.2%
1983	$156,274,390	-0.7%	$104,514,739	$51,759,651	-2.1%
1984	$167,285,190	7.0%	$107,629,559	$59,655,631	15.3%
1985	$185,354,760	10.8%	$107,629,559	$77,725,201	30.3%
1986	$224,759,330	21.3%	$128,283,579	$96,475,751	24.1%
1987	$236,468,490	5.2%	$128,283,579	$108,184,911	12.1%
1988	$331,927,670	40.4%	$204,345,829	$127,581,841	17.9%
1989	$369,504,435	11.3%	$204,345,829	$165,158,606	29.5%
1990	$382,615,730	3.5%	$204,345,829	$178,269,901	7.9%
1991	$388,542,530	1.5%	$204,345,829	$184,196,701	3.3%
1992	$389,833,630	0.3%	$204,345,829	$185,487,801	0.7%
1993	$400,360,290	2.7%	$204,345,829	$196,014,461	5.7%
1994	$414,570,540	3.5%	$204,345,829	$210,224,711	7.2%
1995	$421,724,499	1.7%	$206,232,385	$215,492,114	2.5%
1996	$439,801,167	4.3%	$211,639,454	$228,161,713	5.9%
1997	$476,353,838	8.3%	$211,639,454	$264,714,384	16.0%
1998	$500,940,050	5.2%	$211,639,454	$289,300,596	9.3%
1999	$502,411,745	0.3%	$211,639,454	$290,772,291	0.5%
2000	$548,173,235	9.1%	$211,639,454	$336,533,781	15.7%
2001	$611,407,319	11.5%	$211,639,454	$399,767,865	18.8%
2002	$569,206,357	-6.9%	$211,639,454	$357,566,903	-10.6%
2003	$615,805,548	8.2%	$254,561,499	$361,244,049	1.0%
2004	$641,242,312	4.1%	$254,561,499	$386,680,813	7.0%
2005	$604,997,970	-5.7%	$254,561,499	$350,436,471	-9.4%
2006	$674,334,892	11.5%	$254,561,499	$419,773,393	19.8%
2007	$711,674,142	5.5%	$254,561,499	$457,112,643	8.9%
2008	$778,335,048	9.4%	$254,561,499	$523,773,549	14.6%
2009	$647,092,308	-16.9%	$254,561,499	$392,530,809	-25.1%
2010	$644,816,416	-0.4%	$254,561,499	$390,254,917	-0.6%
2011	$597,868,330	-7.3%	$254,561,499	$343,306,831	-12.0%
2012	$576,874,008	-3.5%	$254,561,499	$322,312,509	-6.1%
2013	$587,277,912	1.8%	$261,456,120	$325,821,792	1.1%
2014	$604,951,042	3.0%	$261,456,120	$343,494,922	5.4%
2015	$693,456,106	14.6%	$261,190,896	$432,265,210	25.8%
2016	$714,897,891	3.1%	$261,190,896	$453,706,995	5.0%
2017	$730,664,900	2.2%	$261,190,896	$469,474,004	3.5%
2018	$816,628,683	11.8%	$261,190,896	$555,437,787	18.3%
Compound Annual Growth Rate		**5.4%**			**7.6%**

Source: DDA for all years except Tax Year 2018. Values for Tax Year 2018 based on information provided by City of Detroit Treasury Division via Detroit Economic Growth Corporation.

Although neither the Governor nor state legislature had a desire for direct state appropriation for the arena, the Governor's office was extremely interested in the arena project, and the state legislature was able to help facilitate a deal through amending TIF law to allow for greater DDA capture in certain instances. Namely, a 2012 amendment to the DDA Act (2012 PA 396; Mich. Comp. Laws, §126.1651), directly intended to enable the Detroit arena, permitted a "catalyst development project" to capture the three school taxes (Michigan Strategic Fund, 2014, 4). A catalyst development project was defined as a capital investment of at least $300 million in a city with more than 600,000 in population, ensuring that only a Detroit project could qualify. DDA Act amendments also allowed for the retroactive capture of these school taxes from 2010 to provide an additional $34.75 million to the project (Mich. Comp. Laws, §126.1651(cc)(vi)), The retroactivity became an issue in the later discussed lawsuit challenging the constitutionality of diverting taxes from the State School Aid Fund (see Davis, 2017). Geographically, the DDDA boundaries were revised to include the new "Catalyst Development Area." This new zone expanded the DDDA area north of the Fisher Freeway and west of Woodward Avenue, as well as covered several blocks of the pre-existing DDA area south of the freeway.

Figure 9. DDDA Area Map (Michigan Strategic Fund, 2014).



These DDA Act amendments and streams of incremental school taxes became crucial to the arena finance structure and enabled the 2013 Memorandum of Understanding (MOU) between the DDDA, Olympia Development of Michigan (the Ilitch development company), and the state (Morante, 2013). This MOU set out that the DDDA would own the arena, and through the Michigan Strategic Fund, there would be an issue of two series of bonds. The $250 million in

2014A Bonds were secured by two streams of TIF revenues, while $200 million in 2014B Bonds were secured through concession fees from Olympia to the DDDA (Morante, 2014). The Series B Bonds were retired by Olympia in 2017 through a refinancing. The 2014 Series A Bonds were intended to be primarily covered by school tax capture in the catalyst project area, in the range of $11 million to $17 million per year for 30 years (the maximum term under Michigan TIF statute), although with substantial support from general DDDA revenues depending on increment generation (Michigan Strategic Fund, 2014). Because the 2014 Series A Bonds were secured by revenues technically unrelated to the venue, they were able to attain federal tax-exempt status, while the Series B Bonds were taxable.

From the original MOU, which was substantially reflected in the December 2014 Master Development and Reimbursement Agreement (MDRA) executed upon issue of the 2014 Series A and B Bonds, the arena cost significantly expanded. By 2017, the total project cost ballooned to $862.5 million, with the public cost increasing to $324.1 million (Whitaker, 2017). Beyond the $250 million Series A debt issue and the $34.75 million in retroactive school tax capture, an additional $34.5 million in TIF was added for adapting the arena to the NBA's Pistons (Guillen, 2017). A further $4.85 million was allocated for closing costs (2017). The Pistons move to Little Caesars also increased the potential reimbursement to Olympia for ancillary development. Specifically, the MDRA made possible $62 million in reimbursement to Olympia for providing $200 million in ancillary development within five years of the arena's opening (DDDA, 2019), with the potential for this amount to be increased to $74 million with the approval of the Michigan Strategic Fund and DDDA – the Pistons' move downtown was the triggering event for the $74 million (Reindl, 2019a).

The recitals of the MDRA made clear that the $200 million in ancillary development was a “material inducement” for DDDA support of the larger arena project, and without this commitment the DDDA would not have entered an agreement to fund the larger arena project (DDDA, 2019, p. 2). What constituted “eligible costs” for the $200 million was subject to definitions in the MDRA and plan approval by the DDDA, as well as a hard cap of $50 million in “infrastructure” expenditures (2019, pp. 4-5). While surface parking was excluded from eligible costs, parking garages were not, and these did not fall under the “infrastructure” definition either (2019, pp. 4-5).

The additional Pistons money was accompanied by a refinancing of the Series A Bonds in 2018. Even without the Pistons, the bonds would have been refinanced as after five years the interest rates would have spiked significantly (Michigan Strategic Fund, 2014; Pinho, 2019a). However the lack of ancillary development progress was cited as making the refinancing more difficult for the DDDA, with lower investment grades and higher interest rates offered than expected (Pinho, 2019a). In explaining its almost bare minimum investment grade “BBB” rating, a bond rating agency specified that there was “expectation of more growth in the tax base” and “growth had not occurred to [the] degree as originally expected” (2019a).

8.4. THE DISTRICT DETROIT

The catalyst development area in which construction was seen by the bond markets and many others as underperforming, mostly consists of Ilitch controlled properties and substantially overlays the District Detroit. Formally announced in advance of the 2014 MDRA and bond issue, the District Detroit was at the center of a plan to transform 50 blocks around the arena through mixed-use real estate development in five designed neighborhoods: Columbia Park, Columbia

Street, Woodward Square, Wildcat Corner, and Cass Park Village (Crain's Detroit Business, 2014). In theory, the District Detroit solved a major planning objective for the City, connecting its downtown to midtown along the intended Woodward Avenue development corridor. The District Detroit was intended to substantially rise alongside the arena in 2017. Olympia President Chris Ilitch claimed that "[t]he idea is to have it all come out of the ground at once" (Aguilar, 2019a). This included a specific commitment to 184 apartments which were to rise alongside Little Caesars, as well as a 2017 plan for six buildings with 686 new housing units, none of which have not commenced construction as of writing in 2019 (Aguilar, 2019a).

Figure 10. District Detroit Neighborhoods (Crain's Detroit Business, 2014).

The ability to make bold promises on a vast scale was supported through major land assembly. In addition to the almost $50 million spent on 56 parcels that the Ilitches had assembled over two decades through shell companies and non-disclosure of sales terms (a

common assembly tactic for developers looking to avoid holdout problems), the City transferred 74 properties through the DDDA for the arena and entertainment district site (Aguilar, 2019a). This included 39 parcels for the arena site itself conveyed from the City to the DDDA for $1 (the assessed value was almost $3 million) (Felton, 2014) and then sold on to Olympia. As a condition of this transfer, the Neighborhood Advisory Committee (NAC) was established, which is central to the community benefits discussion later in this chapter.

A comprehensive 2019 analysis of over 500 District Detroit property records by The Detroit News found Ilitch control (defined as ownership, leasehold, or management rights) over properties consisting of 84 acres out of 243 acres in the District (Aguilar, 2019a). Although these holdings only make up a third of the District Detroit's gross land mass, when accounting for presumptively unavailable parcels such as Cass Technical High School, Ford Field, dedicated parks, and a utility substation, Ilitch control was deemed to be at no less than 64% (Aguilar, 2019a). A subsequent analysis including properties outside of the District Detroit found Ilitch related interests hold 147 unused properties in Detroit as of October 2019 (Aguilar, 2019b; 2019c). Outside of the District, the report found 64 vacant lots and 13 unused buildings, primarily concentrated around the Ilitch owned Motor City Casino (44 vacant lots and eight vacant buildings) not far from the formal District Detroit boundaries (Aguilar, 2019c). Ilitch acquisitions over two decades were generally unimproved, leading to further blight and reductions in property values. Alongside community destabilization, this allowed the Ilitches to acquire more land for cheaper (Elliott, 2018) and position themselves to solve a planning problem of their own creation – connecting downtown and midtown over a no man's land of largely Ilitch owned blight.

The vision for District Detroit was based upon the Ilitches appreciation for San Jose's Santana Row, a master-planned 42 acre, $450 million retail and residential district developed in 2001 (Aguilar, 2014). In pursuing a similar vision for Detroit, the Ilitches hired one of Santana Row's primary designers in 2007 (Aguilar, 2014; Aguilar, 2019a). The tightly controlled planning of Santana Row (and other similar high end "lifestyle center" developments in the country) may explain some of the frustration potential development partners have expressed with Olympia in terms of strict specifications and controls for District Detroit (Pinho, 2019a; 2019b).

As the District Detroit has idled and seen at least two development partners walk away from the Ilitches (Pinho, 2019a), the areas to the immediate north, south, and east of the District have been experiencing a rapid construction boom. Indeed, a major national development company, American Community Developers, pegged to build and manage five of the six buildings proposed in 2017 (and 538 of 686 units), parted ways from the Ilitches (Pinho and Shea, 2019). According to Chris Ilitch, the relationship fell apart when "it became apparent that our long-term interests weren't exactly aligned," while the developer noted that Olympia wanted to change two of five buildings to office space instead of residential and the inability to come to terms on the remaining residential projects, with "tensions over control" being cited by a local business magazine (Pinho, 2019a). Interestingly, despite moving on from its Olympia partnership, American Community Developers has embarked upon their own $46 million, 180 unit project two blocks east of the District Detroit in Brush Park (2019a).

Brush Park is especially interesting as it is the equally neglected mirror image of the primary arena and District Detroit area on the other side of Woodward Avenue. As of writing in 2019, American Community Developers have been joined in Brush Park by another 18 planned developments, with eight of these either under construction or completed (Runyan and Mondry,

2019). The largest currently under construction is the 400 unit City Modern by Dan Gilbert's Bedrock, which will soon be eclipsed by the same company's 900 unit development on the Brewster-Douglas site (2019).

Yet despite being roundly criticized in the local, national, and even international media (see Perkins, 2018) for its lack of delivery on promises, Olympia has met its commitment of $200 million of defined "eligible costs" for ancillary development in the MDRA, as approved by the DDDA. The accepted $200 million primarily consists of $150 million for the Little Caesars headquarters on an already rapidly developing Woodward Avenue at the south edges of the District. Additionally, there was $17.8 million approved for offices attached to the arena building (home to Google and other tenants), $24.4 million for a parking garage with 7,000 square feet of street level commercial space, and $30 million for a second parking garage designed to attach to future residential or office uses (Reindl, 2019a). While the parking garages are operational, attached non-parking uses have been left some combination of winterized and waiting.

Olympia will receive its additional $74 million for ancillary development as catalyst development revenues are released from lien under the Series 2018A Bonds (DDDA, 2018). As the bond structure calls for a number of reserves, Olympia may not see these funds until the 2040s (2018). However in theory, if Olympia develops faster, they will create more catalyst project revenues, and in turn more quickly create catalyst project revenues released from the bond lien, which will see their $74 million paid more quickly and have a higher present value. In this relatively minor respect, Olympia will be incentivized to gain more valuable increment through delivering development. Yet even DDDA bond repayment scenarios including new revenues directly from Olympia development only account for roughly $2.5 million out of $40 million in increment projected for each year (2018).

Figure 11. Projected TIF Revenues by Source for Series 2018A Bonds (DDDA, 2018, 124).

Bond Year Ending	Inflation Factor	Total Development Area No. 1						
		Local Revenues			Catalyst Revenues			Projected Local Revenues
		Existing[1]	Olympia Projects[2]	Total	Existing[1]	Olympia Projects[2]	Total	
1-Jul-19	100.0%	$19,982,201	$0	$19,982,201	$20,181,688	$0	$20,181,688	$40,163,889
1-Jul-20	100.0%	$20,025,746	$285,013	$20,310,759	$20,201,450	$297,048	$20,498,499	$40,809,258
1-Jul-21	100.0%	$20,025,746	$1,003,257	$21,029,004	$20,201,450	$1,119,540	$21,320,990	$42,349,994
1-Jul-22	100.0%	$20,025,746	$1,088,003	$21,113,749	$20,245,538	$1,213,765	$21,459,303	$42,573,052
1-Jul-23	100.0%	$20,025,746	$1,172,749	$21,198,495	$20,326,782	$1,307,990	$21,634,772	$42,833,267
1-Jul-24	100.0%	$20,040,961	$1,233,705	$21,274,666	$20,333,687	$1,374,196	$21,707,883	$42,982,549
1-Jul-25	100.0%	$20,096,884	$1,233,705	$21,330,588	$20,359,067	$1,374,196	$21,733,263	$43,063,852
1-Jul-26	100.0%	$20,205,326	$1,233,705	$21,439,031	$20,420,242	$1,374,196	$21,794,438	$43,233,469
1-Jul-27	100.0%	$20,956,446	$1,233,705	$22,190,150	$20,908,700	$1,374,196	$22,282,897	$44,473,047
1-Jul-28	100.0%	$21,171,968	$1,233,705	$22,405,673	$21,006,513	$1,374,196	$22,380,709	$44,786,382
1-Jul-29	100.0%	$21,207,391	$1,233,705	$22,441,096	$21,022,589	$1,374,196	$22,396,786	$44,837,882
1-Jul-30	100.0%	$21,250,940	$1,233,705	$22,484,645	$21,042,353	$1,374,196	$22,416,550	$44,901,195
1-Jul-31	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-32	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-33	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-34	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-35	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-36	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-37	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-38	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-39	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-40	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-41	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-42	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-43	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-44	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-45	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-46	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-47	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
1-Jul-48	100.0%	$21,731,463	$1,233,705	$22,965,168	$21,260,434	$1,374,196	$22,634,630	$45,599,798
		$636,181,444	$34,391,641	$670,573,085	$628,937,863	$38,293,251	$667,231,115	$1,337,804,200

Still the present value difference between a portion of $74 million in 2025 versus 2045 pales in comparison to the already provided subsidies (at most $20 million versus $324 million). While the ancillary development may have been a "material inducement" for the arena deal without which the state and DDDA would not have proceeded, there is a massive gap between the fulfilment of the MDRA's concept of ancillary development and the District Detroit vision that publicly sold the project. In fact, when the Michigan Strategic Fund Board was asked to approve the use of "Catalyst Project Revenues", their package included an extensive PowerPoint outlining cases where arena and stadiums have transformed the neighborhoods around the venue. One slide, labelled "The Vision" provided five points of reference (Morante, 2013, p. 24):

- A district that accommodates a variety of uses
- A blend of revitalized landmarks and new buildings

- An eclectic mix of restaurants and street-side shopping
- A central gathering place
- A venue that will serve as a point of destination."

When asked about the arena, Governor Snyder, the single politician with the greatest ability to make or break the funding structure, commented that:

> [a]s an old accountant I'm always somewhat challenged on projects like that…And if it was just a project like that [a publicly funded arena], I would probably have even more skepticism. But this is a wonderful project, particularly because of where it's located — I think that's where it adds tremendous value (Felton, 2014).

Snyder's comments at the project's announcement also indicated that the deal moved forward because of the ancillary development promises:

> When you look at a project like that, what I find so exciting is that the Ilitch's are moving ahead very aggressively — not just with the arena, but with additional development…Where this project is going I think is really exciting because it would be the connector between Midtown and Downtown and we could really create something special through a much longer corridor than we have today with these two somewhat separate areas (CBS Detroit, 2014).

Of course again, the "two somewhat separate" areas existed in large part because the Ilitches bought the land in-between and tried to drive down property values through inviting further blight.

This disconnect with the promised vision is in part reflected in certain amendments to the 2014 MDRA. Two of the amendments specifically extended the time Olympia had to provide an "approved development plan" for lots on Woodward Avenue near of the arena. Without these

extensions, the properties without an approved plan conveyed to Olympia through the MDRA could revert to the DDDA (DDDA, 2019). While in theory a contractual land reversion or option clauses upon development targets not being met are a powerful tool, the submission of a plan is a far less strong control than actual construction targets – the only construction target was the five year ancillary development deadline for the additional reimbursement, a low target which Olympia was able to easily meet without delivering on the vision it publicly sold. Further, the DDDA would have to pay the MDRA Ancillary Land Transfer Agreement definition of fair market value, which required an assessment of market value within the previous year, meaning that the assessed value may be more than what Olympia paid in the first place (DDDA, 2019). The minimal protection provided by the reversion clause was completely undermined by the DDDA being willing to extend the deadline as Olympia needed.

Other amendments concerned the Eddystone Hotel, a 13 story abandoned historic building which in 2015 Olympia promised to rehabilitate into housing in return for being allowed to demolish its companion, the Hotel Park Avenue, for the arena loading docks. With the Eddystone left unsecured from the elements (Ross, 2019), Olympia missed an August 2018 construction deadline and agreed to put up a $33 million performance bond to ensure that the renovation took place on schedule (Ferretti, 2019). This performance bond was the first enforceable promise for District Detroit ancillary development. Members of the Neighborhood Advisory Committee were highly critical of the lacking progress – chair Frances Grunow commented that

> [i]t's over a year behind schedule, and they opened the arena ahead of schedule. It underscores where their priorities lie in terms of rebuilding a neighborhood that was supposed to be part of District Detroit…Eddystone, in my mind, is an example for the

> rest of the district. If we can't get started with a building like the Eddystone, what hope do we have for the rest of the district? (Ferretti, 2019).

Another member, Eric Williams, was more pointed: "The city of Detroit has gone out of their way to give Olympia Development whatever they want…It's a joke. Economic development in Detroit is on the verge of becoming a scam" (2019).

There are a range of views as to why Olympia has largely failed to implement a vision it promised would rise alongside its arena. Some experts see development as a more complex and competitive process than the Ilitches had bargained for, citing the difficulty of obtaining financing as well as the presence of Dan Gilbert's aggressive Bedrock potentially outmaneuvering demand for Olympia's prospective projects (Aguilar, 2019c). Others have ascribed more nefarious motivations to the Ilitches.

The latter are lent support through the history of Ilitch development proposals in the same area. In their pursuit of a new baseball stadium in the 1990s, the Ilitches promised an entertainment district around the stadium on Columbia Street. While that district never emerged, the renderings resemble the promised District Detroit neighborhood of Columbia Street, which the Ilitches released vibrant mixed-use renderings for in both 2014 and 2018. However references to these five District Detroit neighborhoods were subsequently removed from the District website.

Figure 12. Columbia Park Rendering (Pinho, 2019a).

Figure 13. Columbia Park in 2019 With Arena Top Right (Pinho, 2019a).

Ilitch critics have also noted a pattern of exposing buildings to the elements, painting limestone and brick bright red, then when the properties are sufficiently blighted, applying for

demolition on health and safety grounds (Derringer, 2018). After demolition, the parcels are converted to surface parking. This pattern precedes the District Detroit, with the Ilitches thwarting attempts to preserve historically significant structures such as the Hotel Madison-Lenox, and instead demolishing buildings and paving them over (Young, 2011). Sometimes however, preservationists have won out, including with the establishment of the Cass-Henry Historic District to place another hurdle between the Ilitches and demolition of several historic apartment buildings (Pinho, 2018).

Even where seemingly serious interest has been expressed in moving on a project, Ilitch representatives or partners have made misrepresentations to the City. With the United Artists Building, the Ilitches provided a 70 year lease to a partner seeking to redevelop the building through a HUD loan. While the partner claimed to the City that HUD required demolition of the adjacent historic United Artists Theater as a loan condition, HUD representatives said that this was not the case (Williams, 2019a), with the developer subsequently saying they misspoke after reporting from The Detroit News (Williams, 2019b). Photos from 1996, the year prior to the Ilitch acquisition, show much of the original theater and architectural details intact, but pictures of the current condition demonstrate serious neglect over more than 20 years as the developers argue the theater is too far gone to be saved (Terrible Ilitches, 2019).

However as shown in Dallas, where the most successful TIF spurred developments have come from areas where there were no existing structures as opposed to scattered retention of historic properties, there is merit in land assembly to implement a transformational vision on a block level. Still, the merit is grounded in the assumption that landowners wish to actually develop the lands and not perpetually maintain surface parking. With Olympia, this baseline assumption is not clear several years after the arena's opening. Likewise, Dallas' Victory Park

also demonstrated that surface parking lots can hinder the growth and vibrancy of an arena based district that had an initial vision sharing more than a few similarities with the District Detroit.

Chris Ilitch has claimed that the city zoning ordinance requires over 3,000 off street parking spaces within 1,000 feet of the arena (Gallagher, 2019a). Indeed a review of the ordinance indicates that based upon arena capacity ranging between 19,515 for hockey, and 20,491 for basketball, this translates to a requirement of between 3,253 and 3,415 spaces (based upon a ratio of one spot per six seats) (City of Detroit, 2017). Between the three arena garages, there are 2,381 spots, seemingly leaving a gap of over 1,000 spaces that may at first make the surface parking necessary. While Olympia has been reluctant to spend on ancillary real estate construction, ODM Parking, an Ilitch holding, was loaned $135 million in 2017 to construct and renovate six parking garages and 27 surface lots, seeing that its arena surface lots combine for 2,686 spaces (Guillen, 2018).

However, unlike in Dallas where the requirement came from the arena contracts, Olympia has several viable options to gain relief. In addition to a variance, Olympia could apply for authorization for reduction through a "Transportation Demand Management Plan," which has no limits on potential space reductions for large developments required to provide over 250 spaces (City of Detroit, 2017, s. 61-14-114). In particular, the Ilitches control a further three parking garages within 1,000 feet of the arena, two on the north side of Comerica Park and the third attached to the Fox Theater, which combine for 2,844 spaces (Parkopedia, 2019). The parking garages would seem to be complementary for sharing between the three Ilitch controlled entertainment venues. As Comerica Park has a capacity of 41,297, there is likely to have been a similar sharing plan or variance for the baseball stadium as the Olympia controlled off street

parking capacity within 1,000 feet is significantly less than the 6,882 spaces that would be required under the same formula.

Additionally, such a reduction plan would be consistent with shared parking provision in s. 61-14-109 of the Detroit Zoning Ordinance, which while specific to theaters or other non-stadium entertainment or assembly venues, outlines that "[i]t is the City's stated intention to encourage the efficient use of land and resources by allowing users, wherever feasible, to share off-street parking facilities." This leaves the question of whether the Ilitches really believe that the both the City and the Board of Zoning Appeals would be unwilling to relax parking requirements to further facilitate development? Further, the Ilitches have had no hesitation to use the planning process to increase parking allowances at their nearby MotorCity Casino, or to gain permits to allow parking lots to not meeting zoning code requirements for interior landscaping. The Detroit Free Press estimated that the exemption from landscaping requirements on their surface lots translated to an additional 269 spaces and an estimated $1 million per year in additional revenue (Guillen, 2018).

Still, from the perspective of maximizing revenues while minimizing risks, the outcomes in the District Detroit make sense. The Ilitches have already extracted the maximum public financial benefit available through constructing the arena, parking, and office space for mostly Little Caesars. There is no additional subsidy to be gained through embarking upon further ancillary real estate development. Thus for Olympia, the prospects of additional ancillary development have to be measured through potential financial gain against loss. While money can be made through development, it might not be as simple as other more experienced developers operating in the same area (mostly Gilbert's companies) make it look – there are no guarantees the development would be sufficiently profitable after financing costs. Further, to obtain the

financing required to embark upon ambitious ancillary development, the Ilitches may have to collateralize other profitable aspects of their business empire and thus risk losing control over those assets should the developments fail.

The alternative to uncertainty and risk associated with a competitive local real estate development market, is to wait for opportunities where projections are sufficiently profitable to outweigh the risks. In the meantime, sitting on land in one of the country's busiest urban development corridors, while bringing in significant net and relatively risk free cash flows through parking, makes a lot more sense. An estimate from the Detroit Free Press set out that the Ilitches may bring in over $10 million per year from their surface parking spaces in the District Detroit (Guillen, 2018). Instead of competing with other developers for the same market, the Ilitches can allow others to take the financial risks. At the same time, Ilitch lands will become more valuable as other developments succeed in making the local geography more desirable, as well as reducing the inventory of lots in this more desirable location.

In some respects, the question is not so much why has the District Detroit not delivered, but why would the government actors think that the deal structure provided would make unenforceable concept renderings come to fruition? While many may believe that Olympia should live up to an implied moral obligation to deliver the substance of promised development without which it would likely have not received almost $400 million of public subsidies from a bankrupt city, there is no contractual obligation to do so.

8.5. BUT-FOR AND LITTLE CAESARS ARENA

8.5.1. Michigan TIF Statute

Evaluating the Detroit arena and District Detroit through but-for, first leads to the enabling statute. In Michigan there are two primary vehicles of TIF: DDAs and Brownfield Redevelopment Authorities (BRAs). Unlike with DDAs, which are geographically limited to downtown areas, BRA TIF is project based, requires an eligible brownfield site and an initial investor or developer (Michigan Department of Environmental Quality, 2017, p. 14). In addition to local property taxes, BRAs can capture certain school taxes that non-catalyst project DDA TIF cannot. School tax reimbursement is however subject to state control. BRA TIF, outside of the later discussed Transformational Brownfield Program, is basically limited to costs from demolition, substance abatement, site preparation, and infrastructure (Michigan Economic Development Corporation, 2016). These spending limitations, combined with the existing revenue capacity of the DDDA may have been why the arena was funded through DDA Act amendments as opposed to brownfield TIF or attempts to amend the Brownfield Redevelopment Financing Act (such as those later pursued by Dan Gilbert).

Like Texas, Michigan TIF law is relatively wide open, with two primary limitations. First, for DDA based TIF in Michigan only property tax increment can be captured (Michigan Legislature, 57-2018-2, s. 125), and where brownfield TIF may make school taxes available, it is subject to state oversight. Second, TIF districts are for the most part limited to downtown areas through DDAs and specific brownfield project sites. Compared with Texas where local governments can strategically choose which 10% of their assessed value base that they would like to capture through TIF and negotiate with overlaying jurisdictions for their increment shares,

in Michigan capture is either tied to more specific geography where a municipality is willing to assign many aspects of its jurisdiction to an authority, or to a specific brownfield project. Beyond these limits, the DDA form of TIF lacks critical controls such as effective blight or but-for tests. Although blight is mentioned in establishing the authority for DDA TIF in the first place (s. 125.4201a), a blight test is not applied to any specific project (unlike with a brownfield TIF project). A DDA will have to have a public hearing for the implementation or amendment of a development plan. While the plan must meet 15 elements, the financial elements are not required to go beyond description or estimates to assess financial feasibility (s. 125.4217).

8.5.2. Three Related Issues of But-for

For the purposes of this chapter however, there are three related issues touching upon but-for that I will explore:

1. To what extent would the incremental revenues relied upon have been generated in the absence of the arena and District Detroit project?
2. What was the likely no subsidy alternative?
3. How do the arena and District Detroit subsidies compare to those provided to other developments in the same Woodward Avenue corridor?

To what extent would the incremental revenues relied upon have been generated in the absence of the arena and District Detroit project?

Whereas TIF can be theoretically conceived as securitizing the future streams of revenues from a project that would not occur as quickly or significantly without the promise of subsidy, this is not the case with Little Caesars Arena. The primary revenue pledge for the arena bonds

are the catalyst development revenues in a geography that substantially corresponds to the District Detroit. While these revenues were not previously accessible to the DDDA prior to the legislative amendment to provide for catalyst development projects, the bonds are secured based upon increment projections without reliance on adjustment for increased valuations – thus this stream is based upon capture, not creation. Additionally, while properties in the area have appreciated in recent years, the DDDA area as a whole has experienced a significant appreciation, which can also be seen as regaining the significant losses seen during the Great Recession. In the arena area itself, the absence of substantial construction improvements means that gains come from mostly bare land value or speculation based upon proximity to the future construction. The most significant construction improvement is the arena itself, which is owned by the DDDA and is tax exempt.

The secondary stream of bond revenues is surplus revenues from the original DDDA zone. Again, while assessments in the original DDDA area have increased in recent years beyond inflation, only in 2018 have they exceeded their 2008 levels. There has also been massive downtown area development in recent years, with over $3 billion in projects under construction as of 2018 (Moutzalias, 2018). The strong majority of this construction as well as development during the preceding five year boom has come from Dan Gilbert's companies. For instance, between 2011 and 2016, Gilbert related companies purchased 62 downtown properties for a combined $451 million, and this tally excludes the Greektown Casino (Aguilar, 2016). The issue is to what extent the arena amenity is influencing downtown development activity? Considering the scale and timeline of Gilbert's downtown holdings and construction, as well as the already existing sports stadiums, it is difficult to attribute most downtown development decisions in significant part to the new arena. Instead, Gilbert's companies are likely far more influenced by

their own hard timelines to receive hundreds of millions in BRA TIF incentives, and within those deadlines, construction costs and labor supply that can be influenced in the local market by Bedrock's scale (Aguilar, 2018; Slowey, 2019).

What would the likely no or less subsidy alternatives have been?

It is possible that a more aggressive negotiation could have derived similar outcomes for a lesser subsidy cost. There are two main alternatives to the original deal: the Ilitches could have pursued options in the suburbs, or waited longer to develop the arena and district while improving the Joe Louis Arena in the meantime. Though metro area relocation is often an option for sports teams, the prospect of the Ilitches seeking or NHL approving relocation of one of its most storied and successful franchises from a large traditional hockey market is remote.
Like Perot in Dallas, the Ilitches had been assembling land for years in a particular geography for an arena district plan. This land assembly was accompanied by their accumulation of other considerable assets in the immediate vicinity, such as the Fox Theater, the MotorCity Casino, and control of Comerica Park. Unlike in Dallas, there do not appear to be realistic alternatives for major arena subsidies outside of Detroit itself. Since the major state legislative maneuverings to free up increment for arena bonds were initiated by a Governor's office intent on seeing Detroit succeed (Egan, 2019), state-level assistance to move an asset away from Detroit seems doubtful. Nor was the Pistons 1988 arena in the distant suburbs a viable longer term option for hockey. The Ilitches would have had to spend money and perhaps significant time acquiring a suburban site and paying for it themselves.

If the Ilitches had moved to build at an alternative suburban site, they may have also disposed their assembled District Detroit lands to developers more willing build, much as the oft

criticized Maroun family eventually sold the Michigan Central Station site to Ford. This said, the Ilitches may have strategically retained their properties to benefit from land values generated by the upswing in construction and activity in most neighboring areas. Still, there is a strong possibility that Bedrock or a competitor would have made an offer on assembled arena lands too lucrative for the Ilitches to refuse, in which case the development boom in Brush Park – again something of a mirror image in terms of geography to the District Detroit – may have been a likely outcome.

However the more likely of the two primary alternatives is that the Ilitches would have waited longer to build their arena and district. Yet since only really the arena has been constructed, and the arena is exempt from property taxes, there is not much negative impact on the property tax base by delaying the activity.

Beyond delaying major construction in an area where there is already billions in ongoing construction and shortages in construction trades, the benefit of incremental activity generated relative to the existing Joe Louis Arena on the other side of downtown is likely primarily limited to increased concert traffic and the Pistons move from the suburbs. The redirected activity from The Palace of Auburn Hills is significant, with over 40 Pistons games per season combined with the closure of the previous most lucrative regional concert venue for arena tours. In 2018, for instance, 845,000 tickets were sold for concerts at Little Caesars Arena, third most among US arenas (McCollum, 2018). The construction and specific economic activity from the Pistons' new practice facility also likely would not have happened in Detroit at that time, although this activity came two miles north of the arena and with a $16 million brownfield TIF subsidy (Associated Press, 2017). Considering the project also contains health care uses and is on Henry

Ford Hospital campus parking lot, future alternative health industry projects may have been crowded out.

A delay also had significant potential to lessen the public cost either through negotiating a less generous deal in gross terms, and the present value gain of delaying expenses. The spiraling of the original $450 million arena cost up to $862 million was largely covered by the Ilitches, meaning that they were not short of financing to build the arena. These overruns made Little Caesars Arena in many ways a "state of the art" facility. Specifically, the Ilitches spent $538 million on Little Caesars Arena, not including the $50 million in previous land assembly. If the state had limited subsidies to $100 million for instance, would the Ilitches have not spent $400 million on building an excellent, but perhaps not "state of the art" arena that still would have significantly improved revenue streams (releasing the Ilitches from yearly revenue sharing payments to the City in the range of $7 million) beyond the antiquated Joe Louis? The answer is unclear – the Ilitches are both patient and adept at extracting corporate welfare.

Alternatively, the state and DDDA could have created a structure whereby the same gross subsidies were available, but were far more contingent on the Ilitches delivering on the District Detroit renderings – for instance, making $200 million of subsidy contingent on delivering more than projects that were quite likely to be built anyway. This latter scenario may be more realistic, as the Governor's office driving the deal had a window for completion hemmed in by emergency management of Detroit and the Governor's term. As many other stadium subsidy stories have told, if key politicians want a deal done, they will often overpay with taxpayer money.

The other commercial use included in the $200 million calculation was an office block attached to the arena primarily occupied by Google. Initially Google brought 100 employees downtown from the suburbs and are expanding on to another floor. No direct subsidies were

provided to Google. The image of having Google in downtown Detroit is a positive and attracted national media. However the subsidy is paid to Olympia, so again the issue becomes would Google have relocated its activity downtown or midtown absent the arena office space? While the office space attached to the arena by atrium is a rare property, many historical office blocks are currently under renovation downtown – would Google have not wanted to locate downtown in another space? Would Dan Gilbert's real estate companies have not seen the value in providing Google options for attractive spaces? From comments by Google's facility manager for Michigan that the firm "…came down here [to Detroit] to tap into that talent pool and be a part of the city and give back to the community" as well as from the company's site leader that "Detroit was always important…We really focused on where we could build, attract and retain talent. That helps here," the general downtown location appears more determinative than the specific office space (Gallagher, 2018; Walsh, 2018).

Building from discussion under the previous heading, it is also possible that the arena crowded out a potential soccer specific MLS stadium. Gilbert's shift in plans from having a mixed-use development anchored by a soccer stadium in pursuit of a MLS club to a revised version without the stadium with the MLS bid offering Ford Field may indicate belief in there already being enough sporting venues in the area (Ellis, 2018). The planned 23,000 seat soccer specific stadium would potentially compete with the arena for summer concert traffic, and Gilbert's partner in the soccer proposal, Tom Gores, moved his Pistons to the arena after the initial MLS bid announcement (2018). The Pistons' vice chairman commented in 2018 that:

> [w]e also feel strongly it would be irresponsible to not have it at Ford Field…To build another stadium when you have three great facilities in this city already in Ford Field, Comerica Park and Little Caesars Arena, it would be irresponsible to build another one. It

> would be just the wrong use of land in the city when it could be used for housing, for offices or multi-purpose development. The city doesn't want that (2018).

How do the arena and District Detroit subsidies compare to those provided to other developments in the same Woodward corridor?

While the arena and District Detroit have received major subsidies, these are not the only heavily subsidized projects in downtown and midtown Detroit. In fact many projects in this Woodward Avenue development corridor have received a range of subsidies from local, state, and federal sources. The justification has been that market rents alone do not make construction financeable for banks and subsidies are needed to close a feasibility gap. Where contaminated brownfields and complex restorations are involved, there can be a legitimate need for subsidies if a public authority wants a project to move faster than the market would otherwise demand.

This was often the case with projects in the early 2010s, such as the Whole Foods Market in midtown. Opened in 2013, Whole Foods received a reported $5.8 million package of local, state, and federal tax credits and grants (McMillan, 2014; Pothukuchi, 2015). $7.1 million of the remaining $12.9 million in cost was covered by the developer, with Whole Foods paying the rest. The objective of subsidies was to reduce Whole Food's cost per square foot to where the store would be profitable even if poor sales projections came to fruition (McMillan, 2014).

While the share of subsidy was high, it paled in comparison to Little Caesars Arena or some of Bedrock's developments described below. Hundreds of new housing units have emerged in nearby mixed-use projects, including in the same complex as Whole Foods itself. Although these are hard to unequivocally tie to Whole Foods, with ever increasing retail and dining options, the full range grocer was a missing link to make an area with destination amenities (the

Detroit Institute of the Arts), and employment clusters including an adjacent hospital and Wayne State University, into a livable neighborhood. In addition to positive national media, the supposed "Whole Foods effect" of higher property values in areas near a Whole Foods, retailers such as Whole Foods, Trader Joe's, and Target, like Starbucks before them, can be seen as signs of gentrifying neighborhoods that are on their way to becoming more desirable for higher income residents and young professionals (Guedell, 2017). For Detroit, Whole Foods has been relatively low cost, high return neighborhood development tool.

Both the largest and largest TIF subsidies in Detroit have been provided to Dan Gilbert's companies however. In 2018, a $618 million subsidy package was provided for four Bedrock projects worth an estimated $2.15 billion in construction value: the former Hudson's site, Monroe Block, the Book Tower, and an 11 story annex to Quicken Loans' headquarters at One Campus Martius. The estimated $900 million Hudson's development is the most ambitious, and fills a 35 year hole at the center of the city where the namesake department store once stood. The project will have a podium and tower combining retail, office, residential, and hotel uses. While Bedrock is the city's most proficient developer, the tower component has shifted several times in both use mix and height, and two years after ground breaking, nothing has risen beyond the underground excavation (Gallagher, 2019b) and external financing has been hard to come by (Dixon, 2019). Likewise, the Monroe Block project has become less ambitious from its original vision of three midrise buildings accompanied by 35 story office and 27 floor residential towers, and has been delayed. Bedrock has cited the challenges of simultaneous construction of multiple major projects, while others have noted lack of leasing demand from higher end tenants that Bedrock may wish to pursue (Dixon, 2019; Pinho, 2019c). However the $313 million Book

Tower restoration is substantially in progress, as is construction on the $95 million One Campus Martius expansion.

The subsidies were enabled through passage of a 2017 Transformational Brownfield Plan amendment into the Brownfield Redevelopment Financing Act, which allowed for three sources of tax increment to be captured for "transformational projects": construction period taxes, income taxes, and withholding taxes (Michigan Economic Development Corporation, 2019). These are in addition to property taxes enabled through a carve out to the general and catalyst state TIF provisions previously discussed. Income and withholding tax capture is limited to 20 years, while property taxes may be captured for up to 30 years. Unlike the DDA TIF statute, there is a legitimate but-for requirement alongside quantitative feasibility study. In particular, TIF may only be approved to the extent an underwriting-based analysis finds that it will fill a demonstrated financing gap, as well as a net positive fiscal impact for the state (Center for Creative Land Recycling, 2018).

The state bill, championed by Dan Gilbert, was passed on its second attempt after initial failure in 2016 (Aguilar, 2018). The passed version found broader support through opening up the mechanism to all localities, with different thresholds of investment based upon population. While the thresholds for cities between 25,000 and 599,000 range from $15 million to $100 million, for a city with a population of at least 600,000 (which can only be Detroit) is $500 million (Michigan Economic Development Corporation, 2019). Along with a cap of five plans per government, this effectively guaranteed that Dan Gilbert would be by far the best positioned prospective recipient in Detroit.

Specifically, the primary increment sources broke down as $274.5 million from state income taxes, $229.6 million from property taxes, $60.6 million in state sales taxes on

construction materials, and $51.7 million in new resident state income taxes (Aguilar, 2018). For the $256.3 million of the $274.5 million anticipated to be generated in income taxes from new workers in the buildings as opposed to construction workers, the state will retain 50% of the increment (Morris, 2018). All of those sources except the construction sales tax increment went to secure a $250 million bond issue, making the present value of subsidies much closer to the Olympia arena package. Additionally, if the projects are not completed by May 2023, the increments will be clawed back (Zaretsky, 2017).

There are but-for questions with the Gilbert subsidies too. While serious commercial real estate lenders external to Gilbert's companies have made clear their belief that the Hudson's and Monroe projects would not happen, even on a smaller scale, without state subsidies (Dixon, 2019), some beneficial projects could have likely occurred on those properties without state assistance given their proximity to activity on Woodward Avenue. In particular, the Hudson's site is primed for growing retail demand (with tenants such as Nike, Under Armour, Lululemon, and H&M either already or soon to be across the street) and a successful retail ground level mixed-use project could likely already be closer to completion than the current plans. The vertical ambition of Hudson's and Monroe will also compete with projects that could more quickly fill in the many surface parking or empty lots in the downtown core and provide a more complete infilled urbanism, as opposed to a development corridor concentrated on Woodward. Thus the question is more whether "Cadillac" projects reminiscent of the flawed 1970s era Renaissance Center are drawing unnecessary subsidies where merely good projects could succeed with far more modest subsidies? Likewise, since mostly state taxes are being captured, the but-for picture is further clouded as the state's bottom line would only benefit from activity that would otherwise not occur in Michigan, as opposed to Detroit.

However when compared to the arena, Gilbert has to actually deliver much more construction value to obtain a similar present value subsidy to the Ilitches. Additionally, while the main new draw to Detroit from the arena was the Pistons, the upside of Gilbert's projects include the attraction of multinational or Fortune 500 corporate offices and the potential to populate Detroit neighborhoods with the stability and local consumption demand of their well paid workers. Still, the most efficient and least risky subsidy of the three discussed in this section may be Whole Foods. For roughly $1/50^{th}$ of the present value subsidy received by the Ilitches, Whole Foods has debatably done more to make the former Cass Corridor an attractive and liveable neighborhood for a professional workforce that a successful city needs.

8.6. TRANSPARENCY

Little Caesars Arena and the District Detroit also bring up issues of TIF and transparency. There are three primary elements here: that Detroit was under emergency state management when the primary deals were made, the primary formal local approving authority was the unelected DDDA, and the state legislature had limited debate on the enabling legislation.

While many argue Detroit's managed bankruptcy was in large part responsible for the city's improved conditions in the years following, the appointment of an emergency manager assigned many powers of mayor and council by the Governor, provided an opportunity to leverage a fusion of state and local power into an arena deal. The limited time nature of emergency management may have meant that the state level actors felt pressure to close a deal before the state would have to also negotiate with potentially less cooperative local elected officials. Additionally, the arena was one of many often far larger issues before the Emergency Manager, bankruptcy lawyer Kevyn Orr. In particular, the $1.4 billion loan provided to the City

in the mid 2000s to address a pension fund shortfall was retired by Orr through providing the creditor the land on which Joe Louis Arena resided (Dolan, 2014). Few City owned sites could have the same potential value as the downtown riverfront arena lands, but for this major deal to go through, the Red Wings needed a new home. For a Governor and Emergency Manager looking at a larger bankruptcy and growth picture, taking more risk on the Olympia deal to secure the new Red Wings home so one of the City's largest debts could be taken care of, may have made more sense than driving a harder bargain with the Ilitches.

The Mayor of Detroit since 2014, Mike Duggan, was not pleased with the arena deal or his lack of ability to impact the agreement however. Duggan commented in 2019:

> I was angry at being excluded from the negotiations on the hockey arena deal…I'm not a person who spends a lot of time talking about things I can't do anything about. I've been through the contracts. We have enforceable provisions and we have things that are not locked into the contract…We have a contract and the city executed its responsibility under the contract, and the Ilitches have executed their responsibilities. They stood up and made a bunch of promises with a lot of pictures, none of which were included in the contract (Finley, 2019).

The mayor however does have a seat (represented by a designee) and significant influence on the DDDA, an entity which was unaffected by the bankruptcy. In fact the DDDA is governed by a Board of Directors, which is for the most part selected by the mayor and approved by council. In addition to the mayoral designee, the Board at the time of the 2014 bond issue had 12 members (Michigan Strategic Fund, 2014). The membership comprised of four City staff members, with the remainder dominated by business and development interests, in some ways quite reminiscent of the local growth coalitions discussed elsewhere in this dissertation. However

the MOU, which approved the basic deal and finance structure, was approved by voice vote by the previous Board in June 2013, six months prior to Duggan taking office in January 2014 (Pinho, 2013).

The DDDA was also a driving force in finding a legislative sponsor for amendments to the DDA Act to facilitate the arena (Felton, 2014), and aligned with the will of the Governor and Emergency Manager to move ahead with the arena deal as presented. Even if the new Mayor was unhappy with the arena contracts or process, the deal presented may have been seen as better than returning to the table – for a bankrupt city with few working street lights and police emergency response times in the one hour range, it may have simply been a case of not allowing perfection to get in the way of a perceived net positive.

While the Detroit City Council had the opportunity to sign off on the expansion of the DDDA area for the arena, approve of certain land sales to the DDDA, as well as vote on the demolition of the Joe Louis Arena, this was the extent of their role in the deal. Also their opposition could have been eventually overridden by the Emergency Manager, although council had some leverage in the ability to delay proceedings (Felton, 2014).

The third element of lacking transparency was the enabling TIF amendment's swift pass through the state legislature in the 2012 lame duck session. Initial attempts to amend and substitute House Bill No. 5463 in the Senate fell victim to larger legislative battles (Felton, 2014). However, the session after the 2012 election proved productive. When State Senate Government Operations Committee took up the substitute bill on December 4th, the same day the Ilitches publicly announced their arena vision, the Committee spent all of 35 minutes before voting 5-0 to send the bill to the full Senate (2014). The next day, the Senate approved by a 27-

11 vote. A week later, the House concurred on the Senate substitute by a vote of 58-49, sending the bill to the Governor's desk (State of Michigan, 2012b, p. 2749).

However prior to the Senate vote an official protest was undertaken by one of the Committee members who had voted to send the bill to the Senate the previous day: Gretchen Whitmer, who would become Michigan's next Governor in 2019. Whitmer's objections came through the realization that roughly $13 million in school taxes would be diverted each year as well as the fiscal impact of that diversion on top up payments to meet minimum student funding formulas (Felton, 2014; Michigan Senate Fiscal Agency, 2012; State of Michigan, 2012a). Whitmer claimed:

> it is pure greed by the business community that continues to push the things they are right now, and it makes me sick. I hear my colleagues say, "Oh, this is for Detroit, so we're all in favor of Detroit now"—because one billionaire called you (State of Michigan, 2012a, p. 2388).

A Republican Senate colleague noted that:

> there frankly wasn't a lot of discussion on this bill at all…Let's put it this way, we've had hours and hours and hours of discussion on feral swine. When it comes to [the arena legislation], no, there wasn't much discussion at all (Felton, 2014).

In short, these three pillars of lacking transparency provided by TIF allowed a local growth coalition headed by the Governor's office to fund an arena deal in a bankrupt city and better reorganize the city's finances through the Joe Louis land swap. TIF made feasible a sales job on the premise of the public subsidy coming from local taxes (as opposed to being backstopped by state top-up aid) created by transformational real estate development in Olympia's impressive renderings and vision. As explained, the outcomes in the renderings were

far from contractually guaranteed. However, for the Ilitches and other rent-seeking stadium actors, there will likely be a new set of politicians and top bureaucrats by the time big promises are found empty.

8.7. OVERLAYING CAPTURE

While TIF is commonly a favorite of local governments because of the opportunity to capture increments from overlaying jurisdictions even if but-for calculations limited to a municipality's own mills show no positive fiscal impact, the Detroit arena is the most extreme example of overlaying capture to fund a sports facility. Although school tax capture was not permitted under the general DDA Act until the amendments for catalyst projects, the DDDA had previous legislative authorization for bond issue and those bonds were retired in 2010 (Michigan Strategic Fund, 2014). Where other projects may seek to rely upon legitimate reallocation of growth within a metro area that includes overlaying jurisdictions, or even the reallocation of municipal mills, the Detroit arena merely captured school increment that had returned to the DDDA after debt retirement. Thus increments created by properties such as General Motors' headquarters that would in theory otherwise flow to Detroit schools or the State School Aid Fund, are going to subsidize a sports arena.

The reality is slightly more complex, but still predatory on school funding. Like the City, Detroit Public Schools (DPS) also went into emergency management. As a result of a state bailout to avoid bankruptcy, there are two public school districts: DPS, and Detroit Public Schools Community District (DPSCD). DPS still exists solely to pay off the substantial debt of the old district, while DPSCD is funded by the state for actually educating 50,000 students. Accordingly, the local school increment collected by the DDDA would otherwise flow to DPS

debt holders until its debt was retired (Bradley, 2014). Likewise, the state education mill that would otherwise flow to the state per pupil education allotment, is diverted to the arena (2014). The former again means that capital improvements to obsolete school facilities must wait even longer for the old district debt obligations to be retired. The latter means that state taxpayers are indirectly on the hook to make up shortcomings to the State School Aid Fund (Senate Fiscal Agency, 2012; Bradley, 2014).

The legality of the school increment capture was challenged in federal court in *Davis v. Detroit Public Schools Community District* (2017). Claims in both state and federal law were brought. While the federal law claims concerning First Amendment retaliation, Equal Protection, Procedural and Substantive Due Process, and the Voting Rights Act were easily swatted away by the court, one of the state law claims was of interest. This was the Michigan "Bigger" doctrine concerning challenges of public finance based upon the legal concept of latches. The court cited precedent that "[i]n cases where because of the nature of the subject matter, absolute time limits must be observed, the law requires speedy resort to the courts by those who wish to prevent or modify contemplated transactions or procedures" (Davis, 2017). Effectively, where the legality of major publicly financed projects are concerned, challenges must be made quickly – the challenge of the means to finance a "widely publicized" project years after legislative and local approvals, as well as bond issue, was viewed as a general bar to all state law claims. While this case was appealed, the decision was affirmed by the Sixth Circuit for a lack of standing and no other issues were adjudicated (Davis, 2018).

Combined with the discussed shortcomings in transparency, Detroit again shows that TIF is an ideal means to obscure, deflect, and overcome opposition to stadium subsidies. No tax rates are being directly raised and it is difficult to tie second or third order tax increases to the project.

That someone as sophisticated as a future Governor would have to take pause in order to figure out the nature of the consequences, leaves little hope for opposition to successfully mobilize and communicate the complexity to the public. Even if opponents could have organized, it would not have likely been sufficient to overcome swift passage of state legislation shepherded by a coordinated coalition of key elected officials, bureaucrats, business interests, and project proponents, all protected by an emergency manager.

8.8. COMMUNITY BENEFITS

In the past decade, many North American cities and communities impacted by major infrastructure or resource projects have sought forms of benefits or advisory roles for affected communities. Often this entails formal benefits contracts and in other cases an advisory committee to bring forward and address community concerns. The thought is that impacted persons and communities should have a say in the direction or outcomes of a project, and depending on the scope and nature of the effects, benefit in financial, employment, or amenity terms. For instance in Canada, impact benefit agreements have become a fixture of relations between resource companies and Indigenous communities on whose traditional lands projects are undertaken – resource companies have found involving impacted Indigenous communities at the front end of a project makes for greater certainty in the long run.

While Indigenous communities in Canada frequently have constitutional and legal rights to consultation or accommodation backing up their negotiations, neighborhood groups have less solid grounding from which to claim benefits. In the urban context, community groups or local government can conceivably draw upon state law if present, or more likely a local ordinance. The US has seen an estimated 30 community benefits agreements (Brennan et al., 2018).

The neighborhoods adjacent to the arena project had experienced significant blight, abandonment, and depopulation in the decades prior, but were still home an estimated 3,500 residents. According to 2015 Census data, over three-quarters of these residents were Black, and roughly half of households reported below poverty line incomes (2018).

Still, one advantage of Detroit City Council's ability to delay, if not stop, an arena deal during the bankruptcy administration, was to negotiate certain hard and soft community benefits. The primary hard benefits were the contractual obligation that Detroit residents received 51% of all arena construction work hours, as well as 30% of construction contracts to Detroit based businesses (2018). However the former aspect has long been a requirement for major projects in Detroit (Livengood. 2018a). With only about a quarter of the 51% requirement met, Olympia's contractors had to eventually pay $5.2 million in fines. In Olympia's defense, this has been a difficult target to meet for many developers due to a lacking pool of skilled trades resident in the city (Frank, 2019; Livengood. 2018a).

More interesting was the Neighborhood Advisory Committee (NAC). Although Detroit later brought in a local community benefits ordinance that formalized the role of a NAC, it was not in place for Little Caesars Arena. Instead, in a precursor to the ordinance, an ad-hoc NAC was established. Implemented as a condition of the 2014 city land transfer to the DDDA and Olympia, the committee was entitled to regular meetings with Olympia for a five year period. Approved by Council as a whole, this less formalized version of the NAC was driven and organized almost exclusively by one councilmember (Brennan et al., 2018). This councillor put together "brainstorming" sessions that preceded the formal NAC, and once formed, conducted the membership application process (2018, p. 29). It was determined that members would have to live or be business operators within a quarter-mile of the development (2018). A public

community meeting resulted in nine elected members, and was complemented by three members appointed by Council through an interview process (2018).

Olympia actually requested the NAC to provide a "wish list" of "design aspirations" for the arena and ancillary project in July 2014 (Brennan et al., 2018, p. 30). From a series of meetings, the NAC provided a report overviewing desired outcomes for "construction and design, employment and small business, housing and historic preservation, and traffic, parking, and public safety" (2018, p. 30). From these positive beginnings, the NAC requests were effectively ignored as the ancillary project failed to materialize. While Olympia had to meet with the NAC and inform it of developments, there was no legal obligation for Olympia to implement NAC requests or recommendations (Mondry, 2019). By the time of the NAC's dissolution in 2019, fewer than a tenth of its recommendations were implemented by Olympia (2019).

However the NAC was not in vain. Even if it was unable to force the Ilitches to take action or implement the vision upon which their subsidies were gained, the NAC was effective in drawing public and media attention to their failures. NAC members have been regularly quoted in local and national media critical of the Ilitches and their unmet promises (Mondry, 2019). The arena NAC also provided lessons for future iterations of community benefits in Detroit, as well as the basis for a formal community benefits ordinance applicable to the subsequent wave of major developments in the city.

8.9. IMPLICATIONS

As with major elements of the Dallas and Louisville cases covered previously, Little Caesars Arena is another instance of stadium subsidy procurement largely conforming to the local growth coalition theory of Delaney and Eckstein (2006; 2007), and building upon the

broader urban growth machine theory preceding it. Again, TIF is a particularly flexible tool that is difficult for the public to understand, and thus harder for opponents to mobilize against. Even if the best deal may in many instances be no deal, the Detroit case, representing the single largest use of TIF in a sports venue, provides some specific lessons that can substantially inform this dissertation's conclusions on how to mitigate public harms related to venue TIF use.

In particular, Detroit highlights that contractual commitments are all that can relied upon. Fancy renderings and big promises must be put in writing. The disconnect between the renderings of five neighborhoods that were promised to rise alongside the arena and the actual results could have been predicted from the obligations embedded in the MDRA. The Ilitches were easily able to maximize their subsidy benefit through executing a limited number of projects, while taking a very conservative approach to realizing their public, but not contractual, promises on ancillary transformation.

Moreover, if contractual obligations are not met, public authorities must consider what remedies they have, and project whether those remedies will bring satisfactory outcomes. For instance, while repurchase options are valuable, the appraisal guidelines in the MDRA meant that the most sensible decision was to not exercise the option, meaning that the Ilitches were able to delay build out on certain lots without realistic fear of financial loss.

Public authorities contemplating TIF subsidies for a venue, implicitly reliant on delivery on tax base and property valuation growth related to the subsidized project, should also consider the developer as a partner. In Detroit the track records of the Ilitches and Dan Gilbert's companies are quite different. Although both have been recipients of heavy subsidies over a number of years and projects, Gilbert's companies have delivered far more tangible results. The Ilitches, on the other hand, have a history of unfulfilled promises of transformational real estate

development around subsidized anchors such as Comerica Park or the MotorCity Casino. Based upon past performance, is it much of a surprise that the District Detroit has delivered on little more than surface parking? Even where there are not questions of good faith in a potential partner, there should be questions of sophistication and experience in real estate.

Also, comparing the impact and cost of alternatives highlights that governments should consider what activity their subsidies may be crowding out. Likewise, even if subsidies are pursued, sometimes comparatively modest subsidies can have significant impact on the course of a neighborhood. Whole Foods in Midtown gives support to the notion that the right retailer, in particular a grocer, can be a magnet for making a neighborhood both desirable and livable for professionals without school aged children. While a sports stadium is likewise potentially an attractive amenity for these demographics, the difference is that closing the feasibility gap to attract Whole Foods was less than $1/50^{th}$ the public cost of Little Caesars Arena. Yet if one were to survey which of the two projects (separated by a few hundred meters on Woodward Avenue) has had a more significant positive impact on midtown Detroit, Whole Foods may win the day. Although the utility of corporate welfare should be viewed with suspicion, if a locality is looking to make an investment to spur neighborhood development, a relatively small and low risk investment in an amenity such as a Whole Foods, Target, or Trader Joe's, might return more significant yields than a far more risky and costly investment in a sports venue.

Local governments and school boards should also be wary of projects that rely mostly upon increment capture as opposed to new growth. While the guarantee that revenues will be available to pay bonds may make a project more credit worthy, dependency on existing revenues dedicated to other important public functions are likely to prey upon another jurisdiction. The ultimate result will be that some other taxpayers pay the cost even if the nature of TIF makes it

less likely that these second order taxpayers can relate the cause to the effect. In Detroit, the arena has mostly been funded through a school tax shell game, which has led to state per student revenues having to be made up somewhere and further delays in retiring local school debt that blocks Detroit from making capital investments in its crumbling school buildings (Livengood, 2018b; 2018c).

Finally the experience of the NAC raises questions of community impact and benefits in the context of a TIF funded sports facility. First, by drawing upon tax increments generated by a specific geography that would otherwise be destined for other revenue pools, the issue is posed of whether the local community should have some formal and binding role in the allocation of those increments? Second, would it be appropriate for certain shares of increments diverted to a facility TIF project to be controlled or released through compliance with community benefits contracts? Third, even if the first two questions are answered in the affirmative, is this simply a new form of rent-seeking, albeit one driven by community (as opposed to corporate) welfare? In addition to representing potential future paths of inquiry in the realm of venue related TIF projects, each of these headings brought to the forefront by the Detroit arena TIF experience will be further explored in the final chapter of this dissertation.

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CHAPTER 9. RESULTS, DISCUSSION, A WORKING THEORY OF VENUE TIF, AND POLICY FOR HARM REDUCTION

9.1. REVISITING THE RESEARCH QUESTIONS

This final chapter begins with a brief revisiting of the secondary research questions and results of this dissertation's studies. Following the secondary research question discussion, the chapter moves to address the two primary research questions respectively through complementary exercises of theory development and policy proposals. Finally, I will succinctly review key limitations as well as potential avenues of future research.

9.1.1. To What Extent Has TIF Been Used to Subsidize Major League Sports Venues?

As detailed in Chapter 3, this dissertation has found that 39 of the 125 permanent major league arenas and stadiums have direct TIF contributions to venue costs, or a deemed strong TIF connection. In the 22 venues with direct TIF contributions the total TIF expenditure was $1.817 billion and the average direct TIF spend was $82.9 million, both in 2017 dollars. Where TIF was directly used, it accounted for an average of 60.3% of public capital costs, and 24.4% of total capital costs. TIF bond issues have been more common than reimbursement and property taxes much more frequent than sales TIF. Nine venues have had at least 20% of their capital costs provided by TIF, 14 venues have seen TIF provide 30% of public costs, and eleven venues have had TIF contributions of more than $50 million in 2017 dollars. Although there is a roughly one

third each split between venues in the pre 2000, 2000 through 2009, and 2010 to 2018 periods, direct TIF use has been heavily concentrated in the latter two groupings.

9.1.2. To What Extent Has TIF Been Used to Facilitate Real Estate Development Ancillary to Major League Venues?

Chapter 3 has similarly documented the extent to which TIF has accompanied real estate development ancillary to major league venues. Ancillary TIF uses with strong connections to a venue have been found in 8/30 MLB stadiums, 6/18 MLS stadiums, 10/29 NBA arenas, 14/31 NHL arenas, and 7/29 NFL stadiums studied. This dissertation has found that TIF frequently accompanies venue ancillary development, both where the ancillary elements are master planned alongside facility development and when a development vision emerges later into the venue's life cycle. As with economic development more generally in many localities across the US, TIF has become a go-to subsidy for real estate development and infrastructure around major league stadiums and arenas.

9.1.3. What Are the Prospective Risks and Benefits of Using Property Tax Verses Sales Tax Based TIF in a Venue Context?

The Louisville case study in Chapter 7 has detailed perhaps the most significant failure of sales TIF as a revenue bond repayment source in any project. This case highlights and confirms many of the risks identified in the TIF literature with sales TIF. Namely, sales TIF is far more vulnerable to business movement and recession. Whereas land value within a TIF district will not quickly disappear, retail departure without replacement or a recession can completely undermine the creation of incremental revenues if sales TIF bonds are issued. However sales TIF

can generally create considerably more revenue than property TIF and can allow local governments to retain revenues that may otherwise be diffused at the state level. The policy recommendations for harm reduction later in this chapter further discuss sales TIF.

9.1.4. Is There a Relationship Between TIF Statute Permissiveness and Venue TIF Outcomes?

The inventory of venue TIF projects reveals a concentration of direct TIF use in particular sub-federal jurisdictions. Within these jurisdictions venue TIF use was sometimes concentrated in particular cities in the few states with multiple major league capable cities, indicating that even where TIF is available, local policy preferences still have to align for TIF use. Likewise, statutory restrictions or less permissive TIF statutes in terms of the ability for TIF to create significant capital to potentially finance a venue were often overlapping with jurisdictions where direct TIF contributions to major league venues were absent. However relationships of statistical significance were not found.

The composite lowest common denominator strong consensus TIF statute in the major league capable jurisdictions allows municipalities and counties to initiate TIF districts following public hearings and use property tax increments to fund projects. While site specific and area wide projects will be allowed across mixed-use, commercial, and residential zones, as well as permit eminent domain and overlaying special assessment districts, TIF will be limited to public infrastructure.

The largest TIF uses have been either where sales TIF has been available, where legislative amendments have been made to enable venue TIF, or where permissive TIF laws have allowed TIF agencies have major leeway to capture and administer significant incremental

revenue. The absence of sales TIF in most jurisdictions precludes the largest single source of potential TIF revenue. The lack of substantial controls on TIF use still allows many more venues to have TIF subsidies present in real estate projects ancillary and related to the venue. Even where TIF is not available or chosen for major venue subsidies, or when ancillary development emerges years after initial venue construction, TIF is frequently present with a deemed strong connection to the venue.

9.1.5. Does the Presence of a Major League Sports Venue Make a TIF District More Successful in Terms of Construction and Neighborhood Desirability Outcomes Relative to Similar TIF Districts Absent Such an Anchor?

Primarily addressed through the second Dallas case study in Chapter 6, the TIF subsidized development ancillary to the American Airlines Center failed to exceed the perceived success of TIF subsidized redevelopment in two nearby districts. While significant gross financial gains have been experienced in the arena district, these gains have been much more costly in subsidy terms than any other comparable Dallas TIF district. This said, the arena TIF district has been much more successful than other similarly core proximate TIF districts where either developer interest has been absent, or there has not been a critical mass of amenities and residents. A flawed arena ancillary development vision has still resulted in a relatively successful neighborhood development at a premium price.

9.1.6. When a Major League Venue Uses a TIF Subsidy, is But-for Present, and How is But-for Determined?

The case study chapters addressing but-for in both Dallas and Detroit propose several means of checking but-for. Perhaps the best starting place is that but-for the subsidy, the subsidized activity would not occur to the same present value fiscal benefit of the initiating jurisdiction – either the project would not occur on the same timeframe, or when adjusted for present value, would create less revenue. The mechanics of but-for can be assessed through financial feasibility studies by arm's length experts, comparison to other projects with a similar market position, as well as evaluating the opportunity cost of what actions or projects may emerge or not emerge in the absence of the subsidy.

The case studies and summaries on venue TIF uses in this dissertation indicate that TIF often subsidizes projects that likely would have happened in much the same way absent the TIF subsidy. Often TIF can be viewed more as a subsidy used to ensure that a deal is closed that probably would happen roughly the same way anyway – something like a flexible, low cost insurance policy. The policy recommendations sub-section later in this chapter provides a more detailed discussion on how but-for should be determined and pursued in a venue TIF context.

9.2. A WORKING THEORY OF TIF USE IN PROFESSIONAL SPORTS VENUE PROJECTS

Through an exploration of the two primary research questions, this section evaluates differences between major league venue related TIF use and TIF projects more generally, the "why" of stadium and arena related TIF, before concluding with a brief normative discussion on the application of TIF to the venue context. To recap, the primary research questions were:

1. Why TIF Has Become a More Frequent and Substantial Form of Major League Venue Subsidy?

2. Should TIF Be Used to Subsidize Major League Facilities?

9.2.1. Why is Venue Related TIF Use Different?

Prior to more squarely addressing the first question, there is an initial issue of justification – why is venue related TIF any different than other TIF use? There are a few overlapping reasons. Primarily I argue that in major venue related TIF projects, relative to most other TIF projects, increased financial risk combines with greatly increased public attention driven by scarcity and emotion to create a heightened political risk for governments. Further, the more connected the TIF allocation is to the decision to locate, retain, or relocate a team through building or renovating a venue, the more the TIF project can be distinguished from the body of non-venue based TIF.

Breaking down the component parts of these arguments, first, major professional venues are far larger financial investments than the vast majority of TIF projects. Most arenas have construction costs in excess of $500 million, and most NFL and MLB stadiums are in the range of $1 billion, whereas most TIF grants support projects under $10 million. Even MLS stadiums generally cost in excess of $100 million. As seen by the significant distress that venue projects can cause for local governments in some instances, the financial stakes are higher in both gross and public cost.

However, there are some instances of TIF supported projects that compare in financial heft to new major league venues. Likewise, TIF has been used for less expensive facility renovations, or often the venue related TIF project is focused on ancillary development similar to

that seen in many TIF zones intended for neighborhood or downtown renewal. Thus in the smaller share of TIF projects where financial impact is similar, a second reason comes into play – visibility. A project directly related to the retention of a major professional sports team has a far higher public profile than most TIF-involved projects. Whereas many TIF projects are as banal as street lighting, sidewalks, or sewers, even those having a higher profile, such as new office buildings, manufacturing facilities, or retail centers, will see this profile remain geographically localized. While any number of retail, commercial, or industrial projects are of comparable economic impact to stadiums, these activities are replicated many times in any given metro area. Outside of metro residents whose employment prospects or property values are directly impacted, or residents within a retail project's intended trade area, these projects are unlikely to capture much public attention or electoral saliency absent a political scandal.

Major professional sports venues then have two primary differences: scarcity and emotion. First, these venues are typically a once in a metro-area opportunity. Second, the debate surrounding stadium subsidy is emotionally charged – any one of prospectively losing the team, losing or gaining status as a "major league" city, or subsidizing billionaires to pay millionaires to play a child's game, can elicit strong emotional responses. In addition to these strong emotional responses, the geography of emotion is more likely to extend throughout a metro area, especially if multiple jurisdictions within the metro area are competing to host the facility. Emotional interest incentivizes media attention, in turn drawing further public attention to the project.

9.2.2. Why TIF is Used in Major League Venue Projects?

Shifting to the "why" of major league venue TIF projects, once there is some political will to embark upon potentially subsidizing a stadium project, key local politicians must decide

how to best provide that subsidy. In calculating the "best" course of action, there will be a number of competing and interrelated objectives, classified under the broad headings or public approval and minimizing political risk, minimizing financial risk, as well as legal and financial availability. Depending on the subjective nature of the actors involved, as well as the system of government (ie: strong mayor, mayor and council, strong manager) these objectives and their sub-headings will be of varying salience and weight. This section briefly demonstrates how a cost-benefit analysis framed through this set of objectives can lead to the decision to use TIF in a variety of major league venue projects.

Public Approval and Political Risk

Beginning with the objective of public approval for a public investment in a stadium project, the contingent valuation literature discussed in Chapter 2 highlights that – broadly speaking – the public is willing to place some financial value on a venue amenity, but that there is a gap between willingness to pay and the actual cost of public subsidies. In turn, the professional club is likely to have an expectation for public funding based upon comparable subsidies of similar venues in similar markets. Again, the nature of the market matters as a more valuable market provides the local government with more bargaining leverage.

While the prospective bargaining gap could be closed through any number of previously noted financial means, TIF is particularly attractive because of its ability to be sold as self-financing instrument that does not increase anyone's tax rate. Through a TIF allocation, while the club is getting closer to its desired subsidy objective, local politicians can plausibly say that the public subsidy cost has not increased. Even though this argument may be something of a fiction, TIF provides a more saleable fiction than a direct grant.

In jurisdictions where TIF approval and governance is a step removed from local officials, TIF can also be a way to bypass opposition to subsidy on council, or provide cover for elected officials. Sometimes a TIF authority (such as that seen in the Detroit case) has very different membership composition from city council, and considerable leeway to operate without direct oversight from elected members. With control and an already earmarked revenue source, TIF can be a means to efficiently reallocate money without new approval and scrutiny. One briefly overviewed instance of the musical increment game was seen in the funding mechanics and contracting between the city, county, and redevelopment authorities for Marlins Park in Miami.

The lessening of adverse public opinion resulting from increased subsidization to close bargaining gaps, combined with the below described financial risk management benefits, allows TIF to likewise reduce electoral risk for local government decision makers. By smothering potential public opposition to the highly visible venue deal, the prospective oxygen for new electoral opponents is likewise reduced – anti-subsidy politicians will have a less obvious base to draw and raise money from, and local elites will be less likely to be sufficiently dissatisfied to fund new challengers. Likewise if public officials believe that a venue deal is very likely to be closed at some point without the TIF subsidy, TIF is a lower risk means of more quickly finishing the deal before favorable conditions potentially change – effectively an insurance policy against a team finding a better deal in a competing region or jurisdiction within the same region.

Financial Risk Management

Alongside minimization of political risk, an instrument premised on development around the stadia site – whether that revenue is derived through gains in assessed value, or commercial activity – not only makes it easier to sell the project as urban redevelopment, but can serve as a shield to the public's downside financial risk. Whereas other prospective revenue bond sources with federal tax exemption have no direct relation to development outcomes, TIF can be structured so that the club only gets paid the subsidy if new development or commercial activity occurs in the stadium district. Thus TIF can facilitate better project conformance to the benefitting party pays principle than most alternatives, while likewise allowing the risk of underperformance – in completion, budget, or revenue terms – to be shifted to the private party. Even if some instances of TIF use fail to sufficiently shift financial risks, TIF again makes it more plausible to politically sell the shifting of these risks.

TIF also allows for the capture of revenue from overlaying jurisdictions, such as counties and school boards. Thus only a portion of the TIF cost will typically be borne by the proponent local government and this captured revenue would otherwise not be controlled by the proponent local government. The prime target for this capture is often revenue that would otherwise flow to public school districts. This form of capture was best evidenced by Little Caesars Arena in Detroit.

Why would local politicians tolerate stripping schools of funding for stadiums? Building off of local growth coalition theory, in some urban centers there may be a preference in some quarters for attracting professional workers at the expense of educating children of existing poorer residents. If a school district is already failing due to structural revenue or demographic issues, then even if there is a will to improve local schools, the stronger bet may be seen as

attracting higher paid residents and jobs in order to address the structural problems. The stadium or arena may be an amenity intended to attract firms and workers and a potential tax base, regardless of whether there is realized benefit to these ends.

The concept of revenue capture can also be extended vertically to the use of federally tax exempt bonds. Unlike many revenue sources that are directly related to a venue that have been barred from direct inclusion as collateral for federal tax-exempt municipal bonds, TIF revenue (through incremental sales and property taxes) is a permissible inclusion. Although TIF bonds backed by increments from ancillary real estate can be considered more connected to the venue than other revenue streams used to support stadium bonds (such as tourist taxes), TIF does not constitute revenue from the venue itself for federal tax exemption purposes (as a ticket tax would be).

Sub-Federal Political and Financial Risk Management

In certain cases however, instead of shifting risk from public to private partners, TIF can be used as a means of downloading facility underperformance risk from state to local governments. This shift has two primary benefits for state (or provincial) governments, respectively based in political and financial risk management. The former benefit is the same masking function used by local governments to mitigate against political risk in PPPs – again unlike direct grants or sales (or other) tax rate increases, which are easier for taxpayers to see both as corporate welfare and an increase to their tax bills to facilitate corporate welfare, TIF is not visible on anyone's tax bill.

Building off of this masking function, whereas the transfer of direct grants and tax rate increases place the financial cost squarely with the state, these up-front transfers are no guarantee

of the project meeting longer-term performance expectations. Structuring TIF so that local governments are responsible for covering TIF revenue shortfalls, serves three purposes: transferring financial risk to local governments, dissuading local governments from embarking upon projects reliant upon incremental state revenues where the local government does not truly believe the TIF district will meet necessary financial viability projections, and protecting state governments from local government optimism bias commonly found in megaprojects.

Financial Availability

For some jurisdictions that lack local fiscal capacity for bonds backed by other revenue sources, TIF can allow stronger bids for major league venues than would otherwise be possible without help from senior governments. As a senior sub-federal government would seem to only have incentive to provide funding where the outcomes can be framed as the team staying or leaving the state, local jurisdictions are more likely to be on their own when competing for an existing team within a metro area that is unlikely to leave that metro area. This group of fiscally limited jurisdictions can include fiscally stressed historic core cities (such as Detroit), or small but growing suburbs (such as Frisco, Texas). With Frisco, a suburb that has grown from 6,000 to 177,000 in 30 years, TIF has been central to deals for minor league baseball and hockey venues, a MLS stadium, a NFL practice facility, and the PGA headquarters. Each of these four distinct venue clusters has been premised on ancillary real estate development to generate increment. This suburban or small center category can be extended to places such as Ashwaubenon, Wisconsin, where proximity to Lambeau Stadium has provided the opportunity to host the Packers' Titletown ancillary development, and TIF has been the subsidization instrument of choice for the Village of 16,000.

Local economic development agencies also have institutional incentives for their programs to be successful and expanded. This institutional incentive is complemented by belief in the merits of local economic development programs themselves, despite academic evidence to the contrary. These agencies also often pursue big ticket amenities with the perceived potential to transform a neighborhood while attracting professional jobs and firms. Depending on the legal jurisdiction and local policy landscape, TIF may be their primary instrument to achieve their purpose – often as the active agent of a more amorphous local growth coalition. Where institutional and private club incentives align, there is further potential for these agencies to be effectively captured by industry. Such outcomes have been evidenced in this dissertation's first Dallas case study.

Legal Availability and Form

Venue TIF use is also influenced by statutory availability and parameters. The first issue is availability. A sub-federal instrument like TIF permits states to have varying scopes for TIF use. For instance, and as noted in previous chapters, Arizona does not permit TIF, and the elimination of California's TIF law put a freeze on venue TIF use in a state where TIF had been a frequent inclusion in new venue projects in the late 1990s and 2000s. Now that a revised but weakened version of TIF has returned to California, it is being proposed as a central subsidy element for a new Sacramento soccer stadium as of writing in late 2019.

Even if TIF is available, the framing, scope, and specific elements of a TIF statute may make TIF a more or less attractive subsidy alternative. For decision makers considering TIF, the question becomes how and to what extent does the relevant TIF law allow access to the above discussed benefits of TIF? The range of TIF statute qualities and limits (or lack thereof)

evidenced in Chapter 4 may provide more or less utility to a prospective use. In particular, the availability of sales TIF and bonds, subsidization of private construction, and the strength or absence of limitations may influence the shape of a deal, while control over TIF approval and administration may facilitate ease of use and protection from political risks. In some instances, an insufficiently flexible TIF statute may give rise to attempts to amend state law to enable a particular TIF project (as seen in the Louisville and Detroit cases, as well as with Nationals Park in Washington).

Finally, where TIF is a viable option, the combined utility of a prospective TIF use as enabled by the relevant statute will be measured against alternative legal mechanisms for subsidy. Some jurisdictions may have a TIF framework to draw upon, but another means may be more attractive. For example, where TIF was originally to be the core subsidy for a massive ancillary development project led by the Pittsburgh Penguins, limits in the state TIF statute were worked around through another local economic development scheme that was more able to meet subsidy objectives.

The Ticket and Tourism Tax Alternatives

Although there are many alternative funding sources through which a bargaining gap could be closed, two sources are particularly viable because of their ability to similarly address political and financial risks: ticket and tourist taxes. A ticket tax, typically a flat rate fee of a few dollars attached to the price of most event tickets for a venue, can in some respects more directly and with more certainty raise revenue than TIF. While there will be somewhat predictable event attendance and the taxed parties are the event attendees – conforming to the benefitting party pays principle – ticket taxes are at the same time a flawed alternative, and no alternative at all.

First, clubs are reluctant to agree to ticket taxes as the tax reduces their scope to increase ticket prices. While new venues can garner premium prices, a market can only bear so much – thus a ticket tax takes money out of the team's pocket, running against the revenue maximizing objective of building a new venue in the first place. Second, until two Internal Revenue Service private opinion letters in 2008 which allowed stadium related revenues to be used for PILOTs contributing to debt service for tax exempt bonds, ticket taxes would have been squarely outside the scope of revenues for stadium debt service. Thus even in this relatively recent expanded range of what may service tax exempt bonds, ticket taxes would only be permissible should they come in the form of PILOT payments – debatably making such taxes a variant of TIF.

When compared to commonly used tourist taxes, which are portrayed as only affecting visitors, TIF perhaps has a more easily hidden cost and comes without the potential to offend tourism and business interests. The masked cost of tourist taxes is that the direction of increased rate increment is only denying the opportunity for future tax increases to flow towards other projects or the general funds, or the opportunity for tourism related firms to increase their margins. However, unlike TIF, tourist taxes are highly visible on the bottom line for hotel stays and car rentals, although the argument is that they are insufficiently elastic to change behavior (Bonham et al., 1992; Mak and Nishimura, 1979). More pertinently however, tourist taxes threaten the narrow margins of the tourist industry (Hiemstra and Ismail, 1993) and diversion of this source from a traditional tourism promotion role can harm destination development (Wilson et al., 2001). Whereas the opportunity cost of TIF is diffused very slightly among all taxpayers, tourist tax hikes and diversion harm a concentrated and significant constituency, often with little or no relation to the venue, with the means to mobilize and fund political opposition.

While TIF has certain advantages over these two competing categories, property TIF revenues are often insufficient to cover the entirety of a public venue subsidy and sales TIF can be far too volatile to be relied primarily upon. Accordingly, we should keep in mind that TIF will sometimes be used in concert with ticket or tourism taxes. As noted elsewhere, a key use of TIF can be to close a smaller bargaining gap between an initial subsidy offer from a city and the subsidy that a club decides is sufficient to move forward with the venue in that city as opposed to alternative locations.

9.2.3. Should TIF Be Used to Subsidize Major League Sports Venues?

This sub-section does not intend to make the case that governments should provide substantial subsidies to professional sports venues – the previously reviewed literature has shown that there are not strong economic returns to be had from public stadium investment. Instead, there are two more nuanced arguments for public investment in sports venues. First, while the economic impact literature indicates that a venue is likely not worth hundreds of millions in public subsidy, contingent valuation studies establish that professional sports venues have some value as a public investment. Likewise, the literature on economic redirection and local economic development can place some utility (economic or non-economic) value on a venue anchoring a revitalized neighborhood relative to alternative locations.

Second, despite the extensive and relatively consistent literature on the economic merits of stadium public finance, local and sub-federal governments continue to provide substantial subsidies. Thus, assuming that for whatever reason governments have made the decision to invest, the normative objective then centers on harm reduction and fairness. With the former, the

question becomes of the numerous venue subsidy options, which means limits the public's financial risk and maximizes utility? With the latter, the issue is more who should pay what? If the venue project is premised on anchoring ancillary real estate redevelopment, and the proponent will only receive reimbursement upon increment generation, then TIF can force proponents to deliver on construction promises or be left without the TIF subsidy, in turn limiting public financial risk. However, as expanded upon below, it is critical for performance risk to be with the private partner. If TIF is relied upon to repay public venue debt, then the project may become insolvent if ancillary development in the TIF zone underperforms. Still even in this scenario the consequences can be limited to TIF-backed bonds and protect local or senior sub-federal government general funds from covering shortfalls, although in practice bailouts may happen (as seen in Louisville) to protect ratings of future debt issues.

As noted, TIF also can be seen as conforming to the benefitting party pays principle in that TIF ostensibly comes from activity that but-for the activity, the revenue would not have been produced or produced as quickly. In the many instances where but-for is something of a fiction however, TIF then becomes predatory on general and overlaying revenues. The relative benefit of TIF is then tied to what role the TIF subsidy plays in getting a deal completed. If TIF is crucial in closing a bargaining gap, then its risk shifting function provides relative utility over many alternative means to close the gap, and the revenue relied upon stems from the activity in question. If TIF has nothing to do with whether and when a project moves forward, then it has less fairness utility – effectively everyone's share of the tax burden is higher than it would have otherwise been absent TIF. Even in this scenario though, depending on which partner is responsible for financial underperformance, TIF could maintain its financial risk management benefits.

9.2.4. Harm Reduction for Venue TIF Use

This section argues that abuses of venue related TIF by rent-seeking actors can be mitigated against if a number of protections are implemented. Specifically, I propose seven headings of harm reduction: but-for, protection from overlaying capture, avoiding sales TIF reliance, shifting of underperformance risk, real estate and planning, transparency, and contract. If below discussed measures addressing these elements are not present however, taxpayers should be wary – politicians are likely using TIF as a means to mask the true subsidy cost and limit their own political risk as opposed to protecting against the financial risks that such venue investments pose to the public.

Ensuring But-for

Jurisdictions using TIF in a venue context must ensure that there is really but-for present. This means that the incremental revenue would not be generated, or generated to the same net fiscal benefit in present value terms without the TIF subsidies. While clubs and developers may argue that they would not move ahead in a particular location, or move as quickly without TIF subsidy, these claims should be heavily scrutinized. Where there is not but-for in a TIF project, the project is effectively an exercise in rent-seeking.

How should but-for claims be scrutinized? First, in-depth and duplicative financial, feasibility, and fiscal analyses should be conducted by multiple independent and arm's-length parties. Although private parties can pay consultant fees, they should not be allowed to select consultants who are incentivized to provide reports favorable to a client's proposal. Second, analysis of a range of alternatives should be undertaken. These include alternative prospective

developments on a proposed site, as well as analysis of the club's bargaining alternatives (such as delay and departure) and the mutual risks associated with these alternatives. In all instances, while duplication of consultant studies may carry financial costs in the hundreds of thousands of dollars, reliance on a single, incomplete, flawed, or biased study may lead to exposures in the tens or hundreds of millions of dollars.

Although there may be flaws and gaps with almost any proposed but-for assessment framework, this dissertation has covered several instances where venue related TIF subsidies have been provided to projects that would have likely eventually gone ahead in much the same way absent the subsidy. In addition to depth and duplication of scrutiny, the imperfection of assessing and implementing but-for requirements can be mitigated through the measures proposed under the other headings of harm reduction.

Protect Against Predatory Overlaying Capture

If a project is predicated on overlaying capture of revenue more than new incremental revenue, but-for is effectively absent. However, overlaying capture as a motivation for, and deleterious impact of, venue related TIF use justifies its own heading. As best evidenced with Detroit's Little Caesars Arena, hundreds of millions of dollars can be redirected from overlaying jurisdictions without necessarily creating much new increment. When the bulk of these captured revenues would otherwise flow to schools, there are serious issues of morality, utility, public policy, and social justice raised. Although often school loses are informally backstopped by state minimum per student allocations, this creates new issues of allocative fairness where taxpayers across a state will indirectly pay for something they cannot easily see they are paying for.

In addition to the direct but-for requirements detailed above addressing the capture of revenue versus creation of new revenue, sub-federal jurisdictions should consider percentage caps on TIF use as a share of assessment value. While Texas has such an increment cap and has seen TIF uses in Dallas with but-for absent, an increment cap limits the damage of capture and incentivizes local jurisdictions to allocate TIF to projects that will maximize increment creation – ostensibly those projects with but-for present.

However where sufficient but-for controls are not implemented directly on the TIF authorizing authority, then the second best option is for school district veto over capture. School districts will in theory be incentivized to only approve projects that they believe will create more revenue in present value terms than they will forego. This has seemingly been the case with school district support of ambitious TIF funded venue development in Frisco, Texas, for instance. Although state per student aid floors may also incentivize approval of predatory projects in return for the logrolling of access to non traditional school revenues in addition to state aid, a state or province can likewise protect against TIF driven manipulation of state student aid amounts through legislation.

The cooperation of municipalities and school districts to approve major venue TIF projects that may possess but-for when strictly considering municipal boundaries, but merely draw projects that may have gone ahead in immediately neighboring jurisdictions can be considered a further risk of revenue capture. A solution can be a county level control to either prevent capture within a county, or an inter-county agreement within a region to mitigate the detriments of clubs putting jurisdictions within a region in competition with one another. If counties are unwilling to cooperate, this safeguard can be again implemented by a state

legislature. More generally, this form of protection can apply to many instances non-TIF venue subsidies where rent-seeking clubs aim to create a bidding war.

Avoid Reliance on Sales TIF

While sales taxes can represent the most expedient way to raise considerable increments, the Louisville case makes clear the risks associated with relying upon sales TIF as a primary finance source. If sales TIF is included, then the finance structure should be designed to withstand substantial underperformance (more than 50%) of projections, accounting for the possibility of both recession and business departure. The reference class forecasting method of Flyvbjerg et al. (2009) may be an appropriate starting point for mitigating against underperformance risk, although the Louisville case indicates that perhaps even more conservative protections should be taken. Likewise, sales TIF boundaries should be carefully drawn to ensure that a project finance structure is not undermined by business relocation at the edges of a TIF district not substantially connected to the venue project. Although seemingly counterintuitive, often more compressed sales TIF zone boundaries will be more efficient and less risky.

Sales TIF also poses a similar capture risk to those noted above, whereby neighboring municipalities can bid for retail trade that would occur in the area through TIF kickbacks, while potentially crowding out other retail activity that may have located absent subsidies to competitors. Of course this is a more general issue with sales taxes that extends beyond TIF and sometimes sub-federal jurisdictions may have policy reasons to want to redirect retail activity to certain locations at the expense of efficient growth maximization.

Shifting Underperformance and Legal Risk

If a venue project is premised on incremental revenue gains from a venue anchor, and the subsidy is sold to the public as being part of a greater real estate transformation of an area, then the private parties must hold the risk of underperformance. There are two related elements of underperformance risk that should be shifted: increment creation and real estate development. Though both are implicitly reliant on real estate outcomes, the risk with the former is more squarely to public revenues and borrowing costs, while the latter is delayed neighborhood development or a venue dead zone outside of event periods.

The primary way to ensure risk shifting is through contractual consequences for failure. While many venue contracts may have penalty clauses or options to repurchase, as evidenced in this dissertation's case studies and TIF use summaries, these are sometimes operationalized in a way that fail to place a true burden on club related parties, or the least bad available public option becomes to refrain from exercise. Deal framers representing public partners – much as a competent transactional lawyer would – must anticipate where a deal may go wrong and the likely consequences of those prospective failings. There are several ways to address this objective: TIF reimbursement only delivered upon the completion of proposed real estate construction to promised specifications, performance bonds or collateralization of club owner assets to cover underperformance, and options to purchase related development lands at prices that will entail significant loses for club related parties.

These recommendations are largely influenced by this dissertation's Detroit and Dallas case studies. In Detroit, almost $400 million in TIF subsidies were provided on the premise of transformational real estate development, but the relevant contracts only guaranteed a fraction of what renderings showed. Club ownership met their relatively limited legal obligations and little

more, but had plenty of valuable non-club assets (such as a casino, ancillary land holdings, and controlling shares in a global pizza company) that could have been collateralized to ensure the publicly sold development vision was actually realized. While it may be argued that such a hard deal would not be realistic, the results of the actual deal have shown a harsh reality not worthy of the massive TIF investment.

An additional and primarily public aspect of risk is that of changes in TIF law that threaten TIF repayment. As seen in San Diego, even where a primarily TIF funded venue is successfully financed by incremental ancillary development, and the construction value of development exceeds ambitious projections, the debt repayment structure caused considerable stress for the city when TIF agencies were dissolved in California. With Petco Park, the problem was city issue of bonds with the promise of revenues from the TIF authority was not contemplated in the state process for dissolution of TIF authorities. Again, since much of the structure was premised on overlaying capture, the city was left footing the bill for the entirety of debt payments without the benefit of overlaying increments that were returned to their home jurisdictions. Similar adverse impacts from state legislative amendments is a legal risk that venue TIF using jurisdictions, in particular municipalities, should identify and plan for.

Planning for Real Estate Development Success

Although it is preferable to transfer risk for increment creation underperformance to club related parties, if the public partner is responsible for this scope of risk, then there is multilayered public financial interest (revenue creation and debt repayment) in the success of ancillary real estate projects beyond traditional neighborhood development. Based upon past failings with TIF

funded venue construction or ancillary real estate documented in this dissertation, there are several pertinent recommendations for TIF using jurisdictions.

First, prospective TIF using public actors should externally assess market demand for the proposed ancillary development. As evidenced by the Dallas experience, there is not necessarily demand for what club related developers wish to build. Although the failure of a private developer is in many circumstances not necessarily the concern of a local government, where government is liable for a revenue shortfall (such as through the issue of bonds) there should be realistic assessment by independent experts about the viability of such plans. Again, the reference class forecasting method of Flyvbjerg et al. (2009) may be appropriate.

Second, the Dallas and Detroit case studies indicate that there may be far more efficient subsidy alternatives to venue focused real estate development. A major league venue can in some instances anchor a successful neighborhood targeting professional and "creative class" workers, but there are other formulas to attain similar outcomes. In Detroit for instance, subsidies to a Whole Foods Market have been seen as a major success. While perhaps a TIF subsidized arena can be a greater gross amenity attraction, for jurisdictions with limited financial resources, many problem areas, and high fiscal opportunity costs, a $10 million subsidy to achieve a 7 out of 10 success may be a better bet than hundreds of millions for an 8 out of 10.

Third, the Dallas and Detroit case studies also show that venue parking requirements, or inclinations to maintain revenue producing surface lots, can inhibit neighborhood buildout, which is a particularly pertinent issue where financing feasibility is premised on densely developing lots immediately proximate to the venue. Instead of leaving surface lots to fallow until increment is created to build garages, complementary uses can be explored to reconcile these competing objectives. For instance, scheduling can allow the same off street parking spaces

to be feasibly used for both office workers and event attendees. Downtown arenas and stadiums in Toronto and Vancouver have demonstrated that the absence of substantial dedicated off street parking spaces is not a major problem for fans, and that dense mixed-use real estate development can thrive in immediate proximity to these same venues.

Fourth, real estate development can be difficult to properly phase and obtain financing for. Where clubs are not owned by experienced real estate developers, subsidizing governments should insist upon the inclusion and financial liability of private partners with a track record of success, preferably in comparable venue ancillary projects, or major projects with a similar mix of uses in the same region. As seen in Dallas, even where club controlled parties are real estate developers, there is no guarantee of success – however at least in Dallas a flawed vision was eventually financed and constructed, whereas the transformational promises of Detroit's pizza magnates have led to little more than parking lots.

Transparency

TIF can be attractive to politicians and rent-seekers alike for its potential to be pushed through the political process with more limited transparency than other subsidies. As noted throughout this dissertation, the primary transparency failings of TIF can be seen as conceptual (the risks of TIF are difficult to communicate) and procedural (TIF can often be pushed through outside of the normal budget process). Parties wary of these TIF issues should aim to address both sets of risks.

The best remedy may however be time to consider deals reliant on TIF as well as amendments to law or ordinances that would enable venue TIF deals in the first place. Pushing deals through and club parties creating false urgency has more generally accompanied many

poor venue outcomes beyond the TIF scope. A mutually beneficial deal will still likely be mutually beneficial six months later, as a failed deal may be a fiscal albatross for decades.

Yet where local growth coalitions or economic development agencies aim to use TIF as the instrument of surmounting resistance to subsidies, state legislators should be vigilant of TIF statute amendments designed to enable TIF projects that may possess many of the above discussed risks. As seen in both Louisville and Detroit, the state legislatures failed in gatekeeper roles where governors wanted to push through TIF amendments to fund arenas. For state legislators who wish to avoid significant risks of similar outcomes, the duty will be to ask questions and force due diligence, especially at the committee level.

Local community groups can also play an important oversight role. Although the legal obligations of the Red Wings ownership to Detroit's NAC were limited, the NAC was able to provide the project's failings a high media profile as well as keep public pressure on the Ilitches. Entrenching legal obligations for community oversight in any venue deal, but especially a project with major TIF funding and accompanying transparency risks, may represent a pertinent means to mitigate the worst abuses of growth coalitions. This said, in some instances provisions of community benefits agreements could be viewed as allocating rents or logrolling to special interests that may constitute Pareto inefficient activity. Likewise, community benefits with the ability for backdoor redirection after key votes are completed, as with Nationals Park in Washington, are a further risk for proponents to account for.

Contract and Enforceable Remedies

Although explicitly or implicitly mentioned throughout this section, perhaps the single most critical takeaway for reducing risk and harm associated with venue TIF related projects,

and perhaps venue projects more generally, is that enforceable contractual obligations are the bottom line of what a public partner will actually receive for their subsidy. Venue deals are frequently accompanied with grand promises of transformation and neighborhood development that are not delivered upon once subsidies have been locked in. If an outcome is not embedded in the venue agreement and is not enforceable through collateralized assets from private partners, then the public should have no expectations of flashy renderings coming to life.

Some may argue that a venue TIF deal with the strong protections enumerated in this section is not realistic in a world where teams will use the leverage of their monopoly bargaining power to extract greater subsidies from markets that may have less fiscal capacity to pay. In some instances, this sentiment may well be correct. The point is that if the public parties engaged in venue deal-making cannot come to an agreement that protects the public from the considerable downside risks involved in providing tens or hundreds of millions in subsidies to major league clubs, then the prudent action is to walk away.

TIF can be an especially dangerous subsidy because it erodes the potential for citizens and skeptical decision makers to identify and oppose rent-seeking deals that may adversely impact subsidizing jurisdictions for decades. At the same time, TIF can be utilized with appropriate safeguards to prospectively reduce deadweight financial losses and underperformance risks relative to some subsidy alternatives. At the end of the day, the contract may determine which of these outcomes prevails.

9.2.5. Beneficial Venue TIF?

Exploring harm reduction for venue TIF use also touches upon the issue of the circumstances in which TIF can be a beneficial inclusion in a venue deal for an initiating local

jurisdiction. There are three primary components of a prospective beneficial venue TIF use: true but-for, significant ancillary construction to TIF ratio as a condition of subsidy, and school district participation based on real growth potential.

The first element of true but-for has been well described in the preceding subsection. For a TIF deal to be of potential benefit, the incremental revenue must have present value fiscal benefit to the initiating jurisdictions relative to alternatives absent the subsidy. If a deal would have occurred in much the same way absent the TIF inclusion, then this criteria is not met. If a deal may have happened in similar fashion several years later absent TIF, then perhaps bringing the schedule forward can meet the true but-for threshold. To establish this, the previously described process of financial, feasibility, and fiscal analysis should be conducted by independent actors.

Second, an aspect of benefit can come from venue TIF if there is significant or transformational real estate development that has to materialize as a condition of the subsidy. Further, this development must not be simply crowding out other activity that may otherwise occur absent the subsidized project. Critical is the notion that the developer parties need to be at risk of real estate construction underperformance – if the construction that the subsidy deal is premised upon does not materialize then nor should the TIF subsidy.

What exactly is a significant or transformational development? This is perhaps a matter for further debate and research, but based upon the review in Chapter 3, an appropriate broad starting estimate for significance may be a ratio of $10 in ancillary construction value for $1 in TIF subsidy. This ratio does not include the construction value of the venue itself, and direct venue functions, such as parking garages. The ratio also may depend on the realities of a particular market – in some cities projects may simply not be feasible on a but-for basis without

a higher subsidy ratio. Likewise with the conception of transformational, the Chapter 3 review of venue TIF projects indicates that $1.5 billion in ancillary construction value may be a reasonable threshold.

In terms of specific venue TIF projects reviewed in this dissertation, the objective is to pay for outcomes closer to San Diego's ballpark or Edmonton's arena than Detroit's arena. The social benefit of transformation may also be magnified in blighted inner cities relative to greenfield suburban sites. At the same time, it is important to further consider the alternatives to venue anchored development. Specifically this should entail whether development plans absent the venue could have provided more efficient neighbourhood infill in terms of non-venue construction value to subsidy ratio.

Third is the issue of overlaying capture of school taxes. Schools should be voluntary participants in venue TIF deals and their participation should likewise be premised on present value revenue growth projection in excess of the no deal alternative. This is opposed to school district participation effectively being a fishing expedition where state aid formulas will backstop lost increment, with the upside of potential growth beyond either current revenues or state aid. While schools are protected in this scenario, the revenue shield is provided indirectly by state taxpayers, making this another form of shell game capture activity.

Beyond these three components, beneficial venue TIF projects will most often be premised on property tax increment drawn from ancillary real estate development. However this is not to say that a sales TIF project could not be beneficial. Given the well-discussed risks of sales TIF, a beneficial sales TIF venue project may best be limited to revenues within the venue where the club is fully responsible for underperformance. In this scenario, the key utility limiter will be the assessment of but-for.

Likewise, transparency is also not necessarily a pre-condition to a beneficial project. Rather transparency is a guard against poor and rent-seeking deals. It is possible that a deal closed in a non-transparent way can be of financial benefit to the local jurisdiction, even if the process is problematic and risky.

9.3. PRIMARY LIMITATIONS

From the baseline setting and case study focus of this dissertation on a largely unexplored subject, there are many limitations. Although limitations have been noted in more detail as appropriate in previous substantive chapters, this dissertation's primary limitations include baselining across and within different legal jurisdictions, work on associative relationships between variables and controls for non-TIF influences, the consistency of collected data across a range of public, academic, and media sources, and the coding of many variables in Chapters 3 and 4 on a simple "yes or no" basis that may oversimplify data in these chapters. Likewise, the presence and impact of other forms of subsidy is also largely unaccounted for.

The case study chapters also have a recurring sub-set of limitations. Similar to the issue of comparing TIF across different sub-federal legal jurisdictions, the cases are limited by the TIF laws, policies, other statutes, political cultures, and histories of their respective locales. Data collection is also limited by sources missed through the snowball method, and secondary review of interview sources, although secondary interviews have some advantages over primary interviews that have been outlined in previous chapters.

9.4. FUTURE RESEARCH

This dissertation leaves many avenues for future research. Most obviously, the inventory and assessment of TIF statutes in the context of professional sports venues offered by this article sets the stage for future research on associative relationships between TIF and venue finance outcomes. Likewise, future research may wish to compare real estate development specific cases of venue oriented TIF districts in different legal jurisdictions, or particularly promising case studies that were not covered in this dissertation (particularly Frisco, Texas).

Others may wish to examine the relative merits of TIF and competing local economic development subsidies in the venue ancillary land use context. More broadly, the Detroit and Dallas case studies bring up questions concerning the relative amenity and neighborhood development value of sports venues and other amenities, such as grocery stores and performing arts facilities.

TIF's ability to provide political and financial advantages to other prospective venue subsidies positions it as possibly one of the less damaging forms of venue subsidy, albeit one with major risks, opening up questions of whether law reform can provide forms of venue subsidies with more utility and that better manage financial risks? In particular, could reforming the tax law on stadium bonds to allow exemptions for venue revenue backed bonds provide a superior alternative?

Finally, this dissertation's concluding emphasis on harm reduction and the importance of contractually enforceable obligations being the bottom line commitment of private parties touches on issues of contractual framing. Specifically, how can venue master agreements, whether involving TIF or not, better manage and mitigate public risks?

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